

Corporate Governance Report

Digital Garage, Inc.

Last updated on December 24, 2021

Digital Garage, Inc.

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Securities Code: 4819

<https://www.garage.co.jp/en/>

The corporate governance of Digital Garage, Inc. (the "Company") is as follows:

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

1. Basic Views

In accordance with the following "Principle" and "Credo," the Company is working to enhance and strengthen its corporate governance to realize transparent, fair, rapid and decisive decision-making in order to live up to the trust of its shareholders and other stakeholders, as well as to achieve sustainable growth and increase corporate value over the medium to long term.

<Principle>

Think for yourself and question authority.

<Credo (Behavioral Philosophy) >

- TENACITY Have a strong will
- OPENNESS Question your common sense
- INTEGRITY Stay straight
- AGILITY Be agile
- COURAGE Be brave

Based on these "Principle" and "Credo," we have created a number of first-of-its-kind Internet businesses in Japan by incubating businesses with investments, etc. by utilizing our two revenue bases, namely, marketing technology, which anticipates the trends of the world, and the provision of highly reliable financial technology. In particular, our mission is to create new contexts at the interface between real space and cyberspace.

The Company Group's basic approach and policy on corporate governance is described in the "Corporate Governance Basic Policy" on the Company's website (<https://www.garage.co.jp/en/company/corporate-governance/>).

[Reasons for not Implementing the Principles of the Corporate Governance Code] Updated

The Company implements all of the principles of the Corporate Governance Code (including principles for companies that will be listed on the Prime Market from April 4, 2022, except for the disclosure based on the recommendations of TCFD, etc. written in Supplementary Principle 3-1(3).

[Disclosure in Accordance with the Principles of the Corporate Governance Code] Updated

Below descriptions are based on the Corporate Governance Code revised in June 2021 (same as above).

[Principle 1-4 : Strategic Holdings]

As a company that creates useful "contexts" for the world, we sometimes hold our shares for the purpose of collaborating with various companies based on long-term, stable strategic alliances. In examining our strategic shareholdings, we examine them in detail to determine whether or not they will contribute to the enhancement of our corporate value over the medium to long term through the strengthening of relationships and the creation of synergies, and we consult with the Board of Directors when necessary, including the sale of shares. When exercising the voting rights of our policy-holding shares, we exercise them in an appropriate manner after comprehensively considering whether or not they will contribute to improving the medium- to long-term corporate value of the issuing company and the Company.

[Translation]

The Company has sold some stocks during the fiscal year ending March 31, 2021 and has determined that it is appropriate to hold all shares held by the Company as of the end of the fiscal year ending March 31, 2021, based on a comprehensive judgment from the perspectives of improving corporate value and maintaining and strengthening relationships with investees over the medium to long term.

[Principle 1-7 : Related Party Transactions]

The Company appropriately monitors transactions with related parties by approving and reporting on the transactions at the Board of Directors' meeting to ensure that such transactions do not harm the Company or the common interests of shareholders.

[Principle 2-4(1) : Ensuring Diversity in the Promotion to Core Human Resources]

The Company was established with a concept of creating "contexts" for the internet era. Today, we put the purpose of 'designing "new context" for a sustainable society with technology' and believe new ideas and innovations are produced by the diverse human resources which bring various cultures, values, and skills.

The Company has originally been promoting human resources regardless of gender, nationality, career, etc. but with the focus on their abilities and accomplishments. The ratios of women, midcareer hires, and foreign nationals to middle managerial positions are now about 15% women, 95% midcareer hires, and 4% foreign nationals. We believe the means to measure diversity is not just gender, nationality, or career, but we think these ratios will rise as a result of promoting human resources with various cultures, values, and skills.

Moreover, the Company has been working on training of diverse human resources in middle managerial positions. For example, the Company established an organization for employees in the middle managerial positions to engage in discussions of issues and directions as the Group and execute measures from mid- to long-term perspective. More specifically, they, from middle management point of view, identify the business issues, plan business strategies and human resources strategies, make proposals to executive directors, and actively execute measures.

Also, at the Company Group, we promote human resources based on their abilities and accomplishments, and the ratio of managerial positions at a subsidiary in Asia is 100% foreign nationals.

[Principle 2-6 : Exercising the Function of an Asset Owner of a Corporate Pension Plan]

We do not have a corporate pension fund system. In order to ensure stable asset formation for our employees, we have introduced a corporate defined contribution pension plan.

[Principle 3-1 : Enhance Information Disclosure]

(1)Management Philosophy, Management Strategy and Management Plan

The Company's management philosophy, management strategy and management plan are available on the Company's website (<https://www.garage.co.jp/en/>) and in its annual report.

The Company announced its medium-term management plan, which covers the five years from the fiscal year ending March 31, 2021 to the fiscal year ending March 31, 2025. For the details, please refer to the Financial Report for the fiscal year ended March 31, 2020.

Through the implementation of our medium-term management plan and the achievement of our business goals, we will achieve further growth and increase our corporate value.

(2)Basic Policy on Corporate Governance

Please refer to "I. 1. Basic Views" in this report.

(3)Policies and Procedures for Determining Directors' Remuneration

Please refer to "II. 1. Items Related to Organizational Structure and Management, [Directors] Disclosure of Policy for Determining Remuneration Amounts of Calculation Methods Thereof" in this report.

(4)Policies and Procedures for Determining Candidates for Election and Dismissal as Directors

Candidates for the election of directors (excluding members of the Board of Corporate Auditors and outside directors) should be of excellent character and insight and should have knowledge and experience that will enable them to execute the Company's management accurately, fairly and efficiently. President Executive Officer shall draft and submit a proposal to the Nomination and Remuneration Advisory Committee from the perspective of whether or not the candidate is capable of providing advice on all aspects of the company's operations and appropriately reflecting the opinions of stakeholders, including minority shareholders, from an independent standpoint at the Board of Directors, and President Executive Officer shall consult with the Nomination and Remuneration Advisory Committee on the candidate's proposal based on the Committee's report. This decision is made by a resolution of the Board of Directors. Candidates for the appointment of directors as Audit and Supervisory Committee members shall be drafted by President Executive Officer and referred to the Nomination and Remuneration Advisory Committee from the viewpoint of whether or not they

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have excellent character and insight, as well as the knowledge and experience to accurately, fairly and efficiently audit the execution of duties by directors. The Board of Directors will decide on this proposal by a resolution of the Board of Directors, after obtaining the consent of the Audit and Supervisory Committee. In the event of a serious violation of law or the Articles of Incorporation, significant lack of eligibility, or other reasons for dismissal under the Director's Regulations, the Board of Directors shall decide whether or not to submit a proposal for the dismissal of a Director to the General Meeting of Shareholders.

(5)Explanation of Individual Elections, Dismissals and Nominations of Senior Management and Nominations of Director Candidates

Reasons for the election and dismissal of individual director candidates will be disclosed in the notice of the General Meeting of Shareholders.

[Supplementary Principle 3-1(3) : Disclosure of Sustainability Initiatives, etc.]

[Basic Policy on Sustainability]

Sustainability to the Company Group is to aim for a sustainable growth of society and the Group with stakeholders through its businesses, which is based on its purpose (designing "New Context" for a sustainable society with technology).

The Company has hosted conferences on themes of cutting-edge internet technologies and new businesses surrounding those technologies since 2005, and at the conference in 2021, initiatives to achieve sustainable society, covering the great changes in society, technology, and environment happening on a global scale, were discussed from various angles. In addition, the Company is promoting projects such as the establishment of "Earthshot Fund" and cooperation programs with ESG startups. The Company will aim for its sustainable growth and mid- to long-term increase on corporate value by addressing sustainability issues in collaborations with not only its shareholders but also various stakeholders such as its employees, business partners, creditors, and local communities.

[Investment in Human Capital]

In order for the Company to accomplish sustainable growth in the future while external environment continues to change, it is essential to develop a global organizational structure that is capable of change and to secure and educate talented and diverse human resources. Openly accepting and training human resources with various strengths allow the Company to expand the field width of its growth and to improve creativity. Based on these ideas, the Company has promoted employees' deeper understanding of its purpose as well as the human resources training program "DG 25" for employees in middle managerial positions since 2021.

[Investment in Intellectual Property]

The Company recognizes intellectual properties as significant management resources that support growth for the maximization of its corporate value. Intellectual properties include infrastructure facilities like software for payment services, know-how of digital ads operation, the Company's own global incubation network and know-how, algorithms developed by DG Lab, insights gained through demonstration testing, other business model patents, trademark rights, and so on.

The Company believes its mission as the Context Company is to organically connect these intellectual properties with various companies, people, information, and cutting-edge technologies through new contexts and create new businesses that are useful to society.

[Supplementary Principle 4-1(1) : Scope of Delegation to Management]

The Board of Directors decides on matters stipulated by laws and regulations and the Articles of Incorporation, as well as matters stipulated in the Regulations of the Board of Directors. Other decisions on business execution are delegated to the Management Committee and full-time directors and corporate officers, and the details of these decisions are defined in the internal rules of the Executive Committee and the Rules for Internal Approval.

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

The Company has appointed five independent outside directors, who provide appropriate supervision and advice to the Company's overall management based on their own knowledge and experience from an independent perspective.

[Principle 4-9 : Criteria for Judging the Independence of Independent Outside Directors and their Qualifications]

The Company appoints the Company's independent outside directors from among those who have no conflicts of interest with the Company and who do not have any conflicts of interest with general shareholders, referring to the requirements of the Companies Act and the criteria for determining independence established by the

[Translation]

Tokyo Stock Exchange and other bodies, while noting that they are expected to play an objective and appropriate supervisory or auditing role based on their own knowledge and experience.

[Supplementary Principle 4-10(1) : Structure of Voluntary Nomination and Remuneration Advisory Committee]
Please refer to “II. 1. Items Related to Organizational Structure and Management, [Voluntary committee] Committee’s Name, Composition, and Chairperson’s Attributes, and Supplementary Explanation.

[Supplementary Principle 4-11(1) : Views on Balance Between Knowledge, Experience, and Skills of the Board as a Whole, Diversity and Board Size]

The number of directors (excluding directors who are Audit and Supervisory Committee members) is 10 or less, and the number of directors who are Audit and Supervisory Committee members is 5 or less. In order to effectively fulfill the roles and responsibilities of the Board of Directors, the Board of Directors not only has a well-balanced level of knowledge, experience, and competence as a whole, but also recognizes that diverse perspectives, such as those of women and foreign nationals, contribute to the promotion of business and supervision of management, and the Board of Directors appoints women and people from companies and organizations with international operations as directors. We strive to be composed of human resources. Skill matrix that summarizes each board member’s expertise and experiences is shown on “V. Other Matters” in this report.

[Supplementary Principle 4-11(2) : Directors’ Concurrent Positions as Officers of Other Listed Companies]

The status of directors’ concurrent positions as officers of other listed companies is disclosed in the Notice of General Meeting of Shareholders and the Annual Securities Report. Some of the Company’s directors serve concurrently as outside directors, outside auditors, and other officers of listed companies other than the Company, but we believe that their service is limited to a reasonable degree.

[Supplementary Principle 4-11(3) : Analysis, Evaluation and Disclosure of the Effectiveness of the Board of Directors as a Whole]

Based on each director’s self-evaluation, the Board of Directors analyzes and evaluates the effectiveness of the Board of Directors as a whole, including the composition and operation of the Board of Directors, its deliberations, and its roles and responsibilities, as well as the roles and responsibilities of the Nominating and Remuneration Advisory Committee and items that do not implement each principle of the Corporate Governance Code.

As for the evaluation results for the fiscal year ending March 31, 2020, we have confirmed that the effectiveness of the Board of Directors as a whole is fully ensured. In particular, the Board of Directors positively assessed that they actively discussed the Company’s medium- to long-term strategies and plans triggered by the coronavirus situation, have reinforced the risk management systems including internal control system and internal reporting system, and proceeded initiatives, such as a program for middle-management employees to discuss the Company’s issues and future directions, for the human resource development.

We will continue to discuss issues such as succession planning and human resource development as issues for consideration in order to further enhance the effectiveness of the Board of Directors. In addition, we will reinforce the PDCA cycle for increasing corporate value through management that considers the cost of capital, and we will further enhance our time to discuss the ESG, SDGs (Sustainable Development Goals), and corresponding to Revised Japan’s Corporate Governance Code.

[Supplementary Principle 4-14(2) : Training Policy for Directors]

Directors are committed to acquiring and honing the knowledge necessary to properly fulfill their expected roles and responsibilities. To this end, the Company provides directors with training opportunities from time to time at the Company’s expense that are useful for the acquisition of necessary knowledge.

[Principle 5-1 : Policy on Constructive Dialogue with Shareholders]

In order to promote constructive dialogue with our shareholders, we are working to develop systems and initiatives in accordance with the following basic policy.

1. The officer in charge of information disclosure shall be the officer who oversees all dialogue with shareholders and, to the extent reasonable, the directors shall handle dialogue with shareholders. In addition, the officer in charge of information disclosure shall be in charge of the relevant departments within the Company and shall coordinate with other departments on a daily basis.
2. We will strive to understand the structure of our shareholders and enhance the means of dialogue (e.g., holding individual interviews in Japan and abroad, holding financial results and individual investor briefings, etc.).

[Translation]

- Opinions received in dialogue with shareholders are fed back to the Board of Directors and are used to enhance corporate value.
- When engaging in dialogue with shareholders, the Company shall strive to prevent the leakage of undisclosed material facts in accordance with the internal rules for preventing insider trading.

2. Capital Structure

Foreign shareholder ratio	30% or more
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[Major Shareholders] Updated

Name	Number of shares held (shares)	Ratio (%)
Kaoru Hayashi	6,838,300	14.82
The Master Trust Bank of Japan (Trust Accounts)	5,299,700	11.49
Dentsu Group Inc.	3,300,000	7.15
TIS Inc.	2,364,500	5.13
Custody Bank of Japan, Ltd. (Trust Accounts 9)	1,861,300	4.03
Custody Bank of Japan, Ltd. (Trust Accounts)	1,544,873	3.35
J.P. Morgan Bank Luxembourg S.A. 384513	1,168,700	2.53
BNYM AS AGT/CLTS 10 PERCENT	794,908	1.72
State Street Bank and Trust Company 505225	741,382	1.61
Credit Saison Co., Ltd.	655,200	1.42

Controlling shareholders (excluding parent company)	-
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Parent company	None
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Supplementary Explanation Updated

Baillie Gifford & Co and the co-owner Baillie Gifford Overseas Limited held the following shares as of January 15, 2021 according to the large-volume holding report, which became available for public inspection on January 21, 2021. However, since the Company cannot confirm the actual number of shares owned as of September 30, 2021, it is not included in the above list of major shareholders. The details of the large-volume holding report are as follows.

- Baillie Gifford & Co Number of shares held: 1,102,700 (2.32%)
- Baillie Gifford Overseas Limited Number of shares held: 378,700 (0.80%)

Lazard Asset Management LLC held the following shares as of July 15, 2021 according to the large-volume holding report, which became available for public inspection on July 20, 2021. However, since the Company cannot confirm the actual number of shares owned as of September 30, 2021, it is not included in the above list of major shareholders. The details of the large-volume holding report are as follows.

- Lazard Asset Management LLC Number of shares held: 4,498,562 (9.48%)

JPMorgan Asset Management (Japan) Limited and the following three co-owners below held the following shares as of August 31, 2021 according to the large-volume holding report, which became available for public inspection on September 3, 2021. However, since the Company cannot confirm the actual number of shares owned as of September 30, 2021, it is not included in the above list of major shareholders. The details of the large-volume holding report are as follows.

- JPMorgan Asset Management (Japan) Limited Number of shares held: 2,735,200 (5.76%)

[Translation]

- J.P. Morgan Securities plc Number of shares held: 154,600 (0.33%)
- J.P. Morgan Securities LLC Number of shares held: 154,422 (0.32%)
- J.P. Morgan Asset Management (Asia Pacific) Limited Number of shares held: 82,400 (0.17%)

Schroder Investment Management (Japan) Limited and the three co-owners below held the following shares as of August 31, 2021 according to the large-volume holding report, which became available for public inspection on September 6, 2021. However, since the Company cannot confirm the actual number of shares owned as of September 30, 2021, it is not included in the above list of major shareholders. The details of the large-volume holding report are as follows.

- Schroder Investment Management (Japan) Limited Number of shares held: 1,497,400 (3.16%)
- Schroder Investment Management Limited Number of shares held: 844,528 (1.78%)
- Schroder Investment Management North America Limited Number of shares held: 461,300 (0.97%)
- Schroder Investment Management (Switzerland) AG Number of shares held: 335,837 (0.70%)

Nomura Securities Co., Ltd. and the two co-owners below held the following shares as of September 30, 2021 according to the large-volume holding report, which became available for public inspection on October 6, 2021. However, since the Company cannot confirm the actual number of shares owned as of September 30, 2021, it is not included in the above list of major shareholders. The details of the large-volume holding report are as follows.

- Nomura Securities Co., Ltd. Number of shares held: 1,922,056 (3.89%)
- Nomura Asset Management Co., Ltd. Number of shares held: 1,523,513 (3.20%)
- Nomura International plc Number of shares held: 303,196 (0.61%)

3. Company Attributes

Listed stock market and market section	Tokyo Stock Exchange, First Section
Fiscal Year-End	March
Industry	Information & Communication
Number of employees (consolidated) as of the end of the previous fiscal year	More than 500 persons, less than 1000 persons
(Consolidated) sales in the previous fiscal year	More than 10 billion yen and less than 100 billion yen
Number of consolidated subsidiaries as of the end of the previous fiscal year	More than 10 companies and less than 50 companies

4. Guidelines for Measures to Protect Minority Shareholders in Transactions, etc. with Controlling Shareholders

5. Other Special Circumstances that Could Have a Significant Impact on Corporate Governance

Not applicable.

[Translation]

II. Status of Management Organization for Management Decision-Making, Execution and Supervision, and Other Corporate Governance Systems

1. Items Related to Organizational Structure and Management

Organizational form	Company with Audit and Supervisory Committee
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[Directors]

Maximum number of directors stipulated in articles of incorporation	15
Term of office of directors in articles of incorporation	1 year
Chairperson of the board of directors	President
Number of directors	13
Appointment of outside directors	Appointed
Number of outside directors	5
Number of outside directors designated as independent directors	5

Relationship with the Company (1)

Name	Attribute	Relationship with the company(*)											
		a	b	c	d	e	f	g	h	i	j	k	
Emi Omura	Attorney at law												
Makoto Sakai	Attorney at law												
Junji Inoue	From another company												
Koji Makino	Certified public accountant												
Minoru Ohno	Other								○				

* Selections about 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

- Executive of a listed company or its subsidiaries
- Executive or non-executive director of the parent company of a listed company
- Executive of sibling companies of listed companies
- A person who does business with a listed company as a principal customer or an executor of such business
- Major clients of the listed company or its executive officers
- Consultants, accounting and legal professionals who have received significant money or other assets from a listed company in addition to directors' remuneration
- Major shareholders of the listed company (or, if such major shareholder is a corporation, the person who executes the business of such corporation)
- Executive of the listed company's counterparties (who do not fall under any of d, e and f) (in person only)
- Executive of companies with which outside directors and corporate auditors have a mutual appointment relationship (for the individual only)
- Executive of the company to which the listed company is donating (in person only)
- Others

Relationship with the Company (2)

Name	Audit and Supervisory Committee member	Independent director	Supplementary explanation of compliance items	Reasons for appointment
Emi Omura		○	---	In addition to her extensive experience as a lawyer, he has global experience in international organizations and brings an independent perspective to management. She is designated as an independent director because she has no conflicts of interest with the Company, is highly independent, and has been judged to have no risk of conflict of interest with general shareholders.
Makoto Sakai	○	○	---	He has a wealth of experience as an attorney at law, and we believe that he will revitalize the Company's Board of Directors by reflecting an independent perspective from outside the Company's organization in his audits. He is designated as an independent director because he has no conflicts of interest with the Company, is highly independent, and has been judged to have no risk of conflict of interest with general shareholders.
Junji Inoue	○	○	---	He has a wealth of experience in overseas business, and we believe that his knowledge as a business manager will allow him to gain a high-level view of our business and reflect an independent perspective from outside the Company in our audits, thereby revitalizing our Board of Directors. He has no conflicts of interest with the Company, is highly independent, and has been judged to have no risk of conflict of interest with general shareholders.
Koji Makino	○	○	---	He has a wealth of experience as a certified public accountant and consultant, and we believe that his accounting and tax knowledge and independent perspective from an outside perspective will be reflected in the audit and will invigorate our board of directors. He is designated as an independent director because he has no conflicts of interest with the Company, is highly independent, and has been judged to have no risk of conflict of interest with general shareholders.

[Translation]

Minoru Ohno	○	○	The Company has entered into an advisory contract with Ohno Office, a social insurance and labor consultants' law firm. The Company has an advisory contract with Ohno's office, but the amount of advisory fees paid to Ohno's office in the fiscal year ended March 31, 2021 was less than 1 million yen (less than 0.01% of the Company's consolidated net sales) and was insignificant at less than 1% of the office's annual net sales.	He has extensive experience and professional knowledge as a social insurance and labor consultant, and in the past, he has provided useful opinions and suggestions to the Company's management as an outside corporate auditor and outside director of the Company's Audit and Supervisory Committee. We believe that this is possible. He is designated as an independent director because he has no conflicts of interest with the Company, is highly independent, and has been judged to have no risk of conflict of interest with general shareholders.
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[Audit and Supervisory Committee]

Committee Composition and Attributes of Chairperson

	Total committee members	Full-time members	Internal directors	Outside directors	The Chair
Audit and Supervisory Committee	5	1	1	4	Internal director

Existence of directors and employees to assist the Audit and Supervisory Committee in its duties

None

Supplementary Explanation

Although the Company does not have full-time staff to assist the Audit and Supervisory Committee members in their duties, the internal directors who are also Audit and Supervisory Committee members collaborate with the Internal Audit Office to audit and supervise the Company, so the Company believes it is functioning well under its current system.

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

The Audit and Supervisory Committee and the accounting auditors aim to improve the effectiveness and efficiency of the audit by exchanging information and opinions. Specifically, the Audit and Supervisory Committee and the accounting auditors meet regularly once a quarter to exchange opinions on whether there are any audit-related issues or not and to discuss future issues. In addition, the Company has a system whereby meetings are held as needed.

The Company has established an Internal Audit Office (4 people) to audit the Company and its group companies. The Internal Audit Office reports the results of internal audits to the Audit and Supervisory Committee on a regular basis and maintains a close relationship with the Audit and Supervisory Committee. In addition, the Internal Audit Office and the accounting auditors aim to improve the effectiveness and efficiency of audits by exchanging information and opinions.

[Voluntary committee]

Establishment of a discretionary committee equivalent to a Nomination Committee or Remuneration Committee

Established

[Translation]

Committee's Name, Composition, and Chairperson's Attributes

	Name of the Committee	All committee members	Standing committee	Internal director	Outside director	External expert	Other	The Chair
A voluntary committee equivalent to a Nominating Committee	Nomination and Remuneration Advisory Committee	3	0	1	2	0	0	Outside director
A voluntary committee equivalent to the Remuneration Committee	Nomination and Remuneration Advisory Committee	3	0	1	2	0	0	Outside director

Supplementary Explanation **Updated**

For the purpose of strengthening the independence and objectivity of the Board of Directors' functions in relation to the nomination and remuneration of directors, and to further strengthen corporate governance, the Company has established the Nomination and Remuneration Advisory Committee, a voluntary advisory committee of the Board of Directors, consisting of at least three members who are directors and a majority of whom are independent outside directors. The Committee is composed of three members: Representative Director Kaoru Hayashi, Independent Outside Director Makoto Sakai (Chairperson), and Independent Outside Director Junji Inoue. The Committee deliberates and submits its report on the election of directors and the compensation of directors (excluding Audit and Supervisory Committee members) in consultation with President Executive Officer.

Chairperson is to be selected from the committee member who is an Independent Outside Director by the resolution of the Nomination and Remuneration Advisory Committee.

[Independent Directors]

Number of independent directors	5
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Matters Related to Independent Directors

The Company designates all outside directors who meet the qualifications of independent directors as independent officers.

[Incentives]

Implementation of measures to provide incentives to directors	Introduction of a stock option system, others
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Supplementary Explanation

Regarding incentives for the Company's directors (excluding directors who are Audit and Supervisory Committee members and outside directors), the 21st Annual General Meeting of Shareholders, held on September 29, 2016, resolved to increase the linkage between director compensation and the Company's

[Translation]

stock price, and to share with shareholders not only the benefits of a rise in the stock price but also the risks of a decline in the stock price, thereby encouraging them to contribute to improving business performance and corporate value over the medium to long term. The Company has received approval to allot stock acquisition rights as stock options for stock-based compensation in order to raise the total number of stock acquisition rights to be issued within 250 million yen per year and the total number of stock acquisition rights to be issued shall not exceed 100,000.

In addition, in order to provide incentives for the sustained enhancement of the Company's corporate value and to further promote the sharing of value between the directors and shareholders, the Company has obtained the approval for the payment of restricted stock compensation of up to 100 million yen per fiscal year in effect with a maximum limit of 40,000 shares per year.

Recipients of stock options

Internal directors, employees, directors of subsidiaries, corporate officers of subsidiaries, employees of subsidiaries

Supplementary Explanation

The reason why directors (excluding Audit and Supervisory Committee members and outside directors) are eligible for this grant is to increase the linkage between directors' compensation and the Company's stock price, and to share with shareholders not only the benefits of a rise in the stock price but also the risks of a decline in the stock price, thereby further motivating directors to contribute to improving business performance and corporate value over the medium to long term.

The reason why corporate officers and employees of the Company, as well as directors and employees of the Company's subsidiaries, are eligible for the grants is to increase their willingness to contribute to the medium- to long-term improvement of the Group's business performance and corporate value by linking the Company's business performance to the benefits received by the Company's corporate officers and employees, as well as directors and employees of the Company's subsidiaries.

[Director's Remuneration]

Disclosure of (individual directors') remuneration

Some of them are disclosed individually.

Supplementary Explanation

Remuneration to Directors (Fiscal Year Ended March 31, 2021)

Total remuneration to Directors: 544 million yen

- Of the above, remuneration for Directors (excluding Audit and Supervisory Committee members and outside directors) is 468 million yen (Number of directors: 7)
- Of the above, remuneration for directors (Audit and Supervisory Committee members but excluding outside directors) is 30 million yen (Number of directors: 1)
- Of the above, remuneration for outside directors is 46 million yen (Number of directors: 6)

There were seven directors (excluding Audit and Supervisory Committee members and outside directors), one director (Audit and Supervisory Committee members but excluding outside directors), and six outside directors as of the end of the fiscal year ending March 31, 2020.

Those whose total amount of consolidated remuneration, etc. is 100 million yen or more are separately disclosed in the 26th Annual Securities Report.

Policy for determining remuneration amounts or calculation methods thereof

Established

Disclosure of Policy for Determining Remuneration Amounts of Calculation Methods Thereof

The maximum amount of remuneration, etc. for the Company's directors, as resolved at the 21st Annual General Meeting of Shareholders held on September 29, 2016, is not more than 500 million yen per year for directors (excluding Audit and Supervisory Committee members), of which 50 million yen for outside directors, excluding the employee salaries. Apart from this amount of remuneration, the amount of remuneration for stock acquisition rights allocated to directors (excluding Audit and Supervisory Committee members and outside directors) as stock options for stock-linked compensation is not more than 250 million yen per year, and the amount of remuneration for granting restricted stock allocated to directors (excluding Audit and Supervisory Committee members and outside directors) is not more than 100 million yen per fiscal year in effect.

The maximum amount of remuneration for the Company's directors (Audit and Supervisory Committee members), as resolved at the 21st Annual General Meeting of Shareholders held on September 29, 2016, is not more than 100 million yen per year.

The Company's Board of Directors resolved the Company's determination policy for the details of remuneration, etc. for each director (excluding Audit and Supervisory Committee members) based on the Company's past operation of remuneration, etc.

The amount and details of remuneration of the directors who are Audit and Supervisory Committee members are determined by the Audit and Supervisory Committee through consultation, within the limits of the total amount resolved at the General Meeting of Shareholders.

The following is an overview of the Company's Remuneration Regulations regarding the determination of details of the amount of remuneration, etc. for each director.

i. Significant Matters Regarding the Determination of Details of Remuneration, etc. for Each Director

The basic determination policy of the remuneration, etc. for each director is to set the ratio of stock-based compensation relatively higher in order to increase the linkage between director compensation and the Company's stock price, and to share with shareholders not only the benefits of a rise in the stock price but also the risks of a decline in the stock price, thereby encouraging them to contribute to improving business performance and corporate value over the short-, medium-, and long-term.

ii. Matters Regarding the Determination of Remuneration, etc. for Each Director

A. Base Remuneration (Remuneration, etc. Excluding Performance-linked Compensation, etc., Non-monetary Compensation, etc.)

The following is a determination policy of the Company's base remuneration excluding performance-linked compensation, non-monetary compensation, etc. (hereinafter referred to as "base remuneration").

- a. The total amount of base remuneration shall be resolved at the General Meeting of Shareholders and decided within the limits of the resolved amount.
- b. The base remuneration of the Company's directors is monetary-compensation. Ranks of directors and compensation amount and its composition for each rank are established, and the amount is decided within the limits of the compensation amount and its composition established for each rank of directors.

B. Performance-linked Compensation, etc.

The Company does not grant performance-linked compensation, etc.

C. Non-monetary Compensation, etc.

The following is a determination policy of the Company's non-monetary compensation, etc. (hereinafter referred to as "stock compensation").

- a. Stock compensation is composed of stock options (hereinafter referred to as "SO") that are the same value as the monetary claim of remuneration-type stock options (stock acquisition rights) in which the exercise price per share is set at 1 yen, and restricted stock (hereinafter referred to as "RS"), that are the same value as the monetary claim of restricted stock. Directors receive

[Translation]

the stock acquisition rights and restricted stock by compensating with the monetary claim of SO or RO. The gross amount of each SO and RS are to be resolved at the General Meeting of Shareholders, and decided within the limits of compensation amount and its composition established for each rank of directors fixed by the resolution of the Company's Board of Directors.

- b. The remuneration amount of SO for each individual shall be estimated by multiplying the fair value of 1 stock acquisition right calculated based on stock price, exercise price on the allotment date, and other conditions by the total number of allotted stock acquisition rights.
- c. The remuneration amount of RS for each individual shall be estimated by multiplying the monetary claim for 1 stock, that is not too advantageous to a directors who receive RS, decided by the Company's Board of Directors, by the number of allotted RS shares. The monetary claim for 1 stock is to be based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the previous business day of the resolution of RS grants by the Company's Board of Directors (apply the last closing price if not decided on the market on the same day).
- d. RS owes transfer restrictions for the fixed-period of 1 to 5 years decided by the Company's Board of Directors, and directors shall not transfer, set up a guarantee, or execute other dispositions of RS during the period.

iii . Determination Policy of the Ratio of Base Remuneration, Performance-linked Remuneration, Non-monetary Remuneration, etc.

A. Directors Expect for Outside Directors

Ratio of base remuneration and stock compensation shall be largely 60% base remuneration and 40% stock compensation (of which, 30% SO, 10% RS)

B. Outside Directors

Only base remuneration is provided.

v . If the Determination of Remuneration, etc. for Each Individual is Entrusted to a Third Party (Including Re-entrusting to the Representative Director)

A. Base Remuneration

Compensation amount and number of grant stocks for each individual will be resolved at the Company's Board of Directors right after the resolution of election of directors at the General Meeting of Shareholders, and remuneration amount divided the annual remuneration by 12 will be paid on a monthly basis from the next month of installation or reappointment.

B. Stock Compensation

Compensation amount and number of grant stocks for each individual will be resolved at the Company's Board of Directors right after the resolution of election of directors at the General Meeting of Shareholders.

vi . Timing to Grant Remunerations, etc. or the Determination Policy of Terms

A. Name or position entrusted to determine remuneration, etc.: President Executive Officer

B. Rights to be entrusted: For the decision of remuneration, etc. for each individual, President Executive Officer shall draft and submit a proposal, within the limits of the total amount of remuneration, etc. resolved at the General Meeting of Shareholders, to the Nomination and Remuneration Advisory Committee. If it is resolved by the Company's Board of Directors to entrust the determination of remuneration to the President Executive Officer with the proposal based on the advice given by the Nomination and Remuneration Advisory Committee, the President Executive Officer will decide the remuneration, etc. for each individual.

C. If measures for the exercise of authority by the person in charge are to be taken, their contents

a. President Executive Officer shall draft and submit a proposal of remuneration, etc. for each individual, within the limits of the total remuneration, etc. resolved at the General Meeting of

[Translation]

Shareholders, to the Nomination and Remuneration Advisory Committee, and the Remuneration Advisory Committee will give advice to the President Executive officer.

- b. The Nomination and Remuneration Advisory Committee shall be composed of three committee members, of which outside directors take the majority. Chairperson is decided from those outside directors by the resolution of the Nomination and Remuneration Advisory Committee.

vi . Determination Method of Remuneration, etc. for Each Individual

President Executive Officer shall draft and submit a proposal of remuneration, etc. for each individual to the Nomination and Remuneration Advisory Committee within the limits of the total remuneration, etc. resolved at the General Meeting of Shareholders, utilizing the external data, etc. President Executive Officer will decide the contents of remunerations, etc. based on the advice given by the Nomination and Remuneration Advisory Committee.

[Support System for Outside Directors]

Support for the Company's outside directors is provided by the Corporate Strategy Division. Specifically, the Corporate Strategy Division is responsible for notifying the Board of Directors of meetings, confirming attendance, and circulating and sealing the minutes of the meetings. In addition, as a system for communicating information to outside directors, in the event that an agenda item requiring a resolution or report is to be presented to the Board of Directors, the gist of the item is individually explained to the outside directors in advance to enable them to exchange opinions and make a resolution at a Board of Directors meeting. In addition, when it is deemed necessary to report or discuss other matters, the Board of Directors basically meets with the outside directors, and when this is not possible, reports and consultations are made individually by e-mail or telephone.

2. Items Related to Functions of Business Execution, Auditing and Supervision, Nomination, and Determination of Remuneration (Overview of the Current Corporate Governance System)

The Board of Directors makes important management decisions and supervises the directors in the execution of their duties, and the Audit and Supervisory Committee audits the directors' performance of their duties. In addition, the Management Committee, consisting of full-time directors and corporate officers, meets regularly to ensure that decisions are made quickly in the execution of operations.

The following is an overview of the Company's management decision-making, execution and supervision system.

- Board of Directors

The Company's Board of Directors consists of nine directors (excluding directors who are Audit and Supervisory Committee members), two of whom are outside directors, and five directors who are Audit and Supervisory Committee members (including four outside directors). In addition to regular monthly meetings, extraordinary meetings of the Board of Directors are held flexibly when necessary to make important management decisions and supervise the directors' execution of their duties. In addition, the outside directors are responsible for monitoring management from an objective standpoint by utilizing their extensive management experience and broad-based insights.

- Audit and Supervisory Committee

The Company's Audit and Supervisory Committee consists of five directors (including four outside directors), and in principle, the Audit and Supervisory Committee meets once a month after the regular Board of Directors meeting, and attends meetings of the Board of Directors and other important meetings to express its opinions in an effort to improve the effectiveness of corporate governance.

- Management Committee

The Company's management committee, which consists of President Executive Officer, full-time directors, and directors and corporate officers appointed by President Executive Officer, meets weekly. Through these meetings, the Company aims to confirm the day-to-day execution of business operations, speed up decision-making, and improve its corporate value.

- Accounting Auditors

The Company has entered into an audit contract with Ernst & Young ShinNihon LLC and has been audited in accordance with the Financial Instruments and Exchange Law and the Companies Act, and appropriate audits have been conducted as necessary. The names of the certified public accountants who performed the audit work for the Company are as follows

Name of the certified public accountant who conducted the work

[Translation]

Designated and Engagement Partner Shinji Takada
Designated and Engagement Partner Junichiro Tsuruta
Designated and Engagement Partner Hayato Kobayashi

- **Nomination and Remuneration Advisory Committee**

For the purpose of strengthening the independence and objectivity of the Board of Directors' functions in relation to the nomination and remuneration of directors, and to further strengthen corporate governance, the Company has established the Nomination and Remuneration Advisory Committee, a voluntary advisory committee of the Board of Directors, consisting of at least three members who are directors and a majority of whom are independent outside directors. The Committee is composed of three members: Representative Director Kaoru Hayashi, Independent Outside Director, Makoto Sakai, and Independent Outside Director Junji Inoue. The Committee deliberates and submits its report on the election of directors and the compensation of directors (excluding Audit and Supervisory Committee members) in consultation with President Executive Officer.

- **Overview of Contents of the Contract for Limited Liability**

In accordance with paragraph 1, Article 427 of Companies Act, the Company has entered into a contract with the Company's Outside Directors for limited liability stipulated in paragraph 1, Article 423. Limit of liability for damages is the minimum liability amount provided in the Companies Act. This limited liability is applicable only when the Company's Outside Directors perform their duties in good faith and do not cause serious negligence.

3. Reasons for Choosing the Current Corporate Governance System

The Company has positioned the strengthening of its corporate governance system as one of its key management issues.

In order to increase the effectiveness of management oversight by the Board of Directors, the ratio of outside directors to the Board of Directors will be at least one-third, thereby further strengthening corporate governance. In addition, we are reviewing the corporate officer system to clarify the separation of management decision-making and supervisory functions from business execution functions and promoting the delegation of business execution authority in order to speed up and improve the efficiency of business execution.

III. Status of implementation of Measures Concerning Shareholders and Other Stakeholders

1. Efforts to Revitalize the General Meeting of Shareholders and Facilitate the Exercise of Voting Rights

	Supplementary explanation
Early dispatch of Notice of General Meeting of Shareholders	The notice of the 26th Ordinary General Meeting of Shareholders is sent out 20 days prior to the date of the General Meeting of Shareholders. It is also posted on the Tokyo Stock Exchange and the Company's website 22 days prior to the date of the General Meeting of Shareholders.
Setting up a shareholder meeting to avoid a concentrated date	The 26th Annual General Meeting of Shareholders will be held on June 23, 2021, a date that avoids the so-called concentrated date for shareholders' meetings.
Exercise of Voting Rights by Electromagnetic Means	In order to improve convenience for shareholders, from the 21st Annual General Meeting of Shareholders, voting rights can be exercised by electromagnetic means.
Participation in an electronic voting platform and other efforts to improve the voting environment for institutional investors	In order to improve the voting environment for institutional investors in Japan and abroad, we have been participating in the electronic voting platform since the 21st Annual General Meeting of Shareholders.
Provision of the notice of convocation (summary) in English	An English version of the convocation notice is prepared and posted on the Company's website.

2. Status of IR activities

	Supplementary explanation	Explanation by representative
Creation and publication of Disclosure Policy	The Company has established a disclosure policy and publishes it on its website.	
Regular briefings for individual investors	In principle, the Company plans to hold a briefing session for individual investors once a year.	Yes
Periodic briefings for analysts and institutional investors	We are currently holding a financial result briefing for the second quarter and these financial results briefing. These meetings include a report on the financial results by the representative director and a briefing for analysts and institutional investors on future business strategies. In addition, quarterly earnings announcements are followed by visits to domestic and overseas institutional investors.	Yes
Holding regular briefings for overseas investors	Several times a year, the Company visits overseas investors individually to explain its business performance and other matters.	No
Posting of IR materials on our website	Timely disclosure materials are posted on the Company's website immediately after disclosure. In addition, a library of previously disclosed materials is available on the Investor Relations section of the Company's website. In addition, the Company holds briefings for analysts and institutional investors on its second quarter financial results and this earnings release and discloses materials from these briefings to the Timely Disclosure Service and posts them on the Company's website.	

[Translation]

Establishment of an IR department
(person in charge)

The Corporate Strategy Division has a department in charge of IR with five people in charge of IR. The director in charge of this division is the director in charge of IR and is also responsible for IR administration.

3. Efforts to Respect the Stakeholder's Position

Supplementary explanation

Formulation of policies on the
provision of information to
stakeholders

The Company strives to provide all of its stakeholders, including shareholders and investors, with prompt information on the basis of transparency, fairness and continuity.

The Company's basic policy is to disclose information in accordance with the Financial Instruments and Exchange Law and the timely disclosure rules of the Tokyo Stock Exchange.

The Company will proactively disclose as much information as possible in a timely manner, even if it is not covered by the Timely Disclosure Rules, if it is deemed to be useful in gaining a better understanding of the Company.

In addition, the Company has established an English-language version of its corporate website and has produced English-language versions of the Notice of General Meeting of Shareholders, financial results briefing materials, and important press releases in an effort to enhance information disclosure in English.

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IV. Matters Related to Internal Control Systems, etc.

1. The Basic Concept and Status of the Internal Control System

As for the Company's internal control system, the Board of Directors has passed a resolution on the basic policy for establishing an internal control system and has been developing it. The Company's basic approach to its internal control system is as follows.

a. Basic Policy for the Execution of Duties

The following "Principle" and "Credo" are the basic policies for all officers (directors, corporate auditors or their equivalents) and employees (employees, contract workers, contract workers, temporary workers and others engaged in the Company's business) in the execution of their duties.

<Principle>

Think for yourself and question authority.

<Credo (Behavioral Philosophy) >

- TENACITY Have a strong will
- OPENNESS Question your common sense
- INTEGRITY Stay straight
- AGILITY Be agile
- COURAGE Be brave

Based on these "Principle" and "Credo," the Company has established a system to ensure that all officers and employees of the Group comply with laws and regulations and make appropriate decisions and take appropriate actions with high ethical standards.

b. Basic Policy on Internal Control

In accordance with the Companies Act, the Ordinance for Enforcement of the Companies Act, and the Financial Instruments and Exchange Act, the Company shall establish a system to ensure the appropriateness of its operations (hereinafter referred to as "internal control") as follows.

(1) Systems to Ensure that the Execution of Duties by Directors and Employees (hereinafter referred to as "Directors and Employees") of the Company and directors, etc. (hereinafter referred to "Directors, etc." as defined in Article 110-4, Paragraph 2, Item 5 (a) of the Ordinance for Enforcement of the Companies Act) and employees of the Company's subsidiaries comply with laws and regulations and the Articles of Incorporation

All Directors and Employees of the Company, as well as Directors, etc. and employees of the Company's subsidiaries, are required to act with integrity based on the ethics and values expected of them as members of society. Based on this recognition, the Company has established the Compliance Program as a specific code of conduct to be applied to its Directors and Employees, as well as Directors, etc. and employees of the Company's subsidiaries, to ensure fair and appropriate management and harmony with civil society through strict compliance with social norms, ethics, and laws and regulations.

In addition, to ensure that the Company, as an operating holding company, is fully compliant, each division of the Company and the Company's subsidiaries are classified according to business segment and other categories ("Business Segments"), and the General Manager of the Corporate Strategy Division oversees the compliance efforts of each business division and the Company's subsidiaries on a cross-sectional basis. The Corporate Strategy Division's personnel will work with each business unit and subsidiary to educate and enlighten Directors and Employees of the Company and Directors, etc. and employees of its subsidiaries.

The Company's Board of Directors oversees each business unit and operating company within the Group by business segment, and the Corporate Strategy Division audits or understands the compliance status of each business unit and Group company by business segment. The Company's directors and the Corporate Strategy Division shall report regularly on these activities to the Company's Board of Directors and the Company's Audit and Supervisory Committee.

With respect to acts, etc., that raise questions about legal compliance within the Group, the Company has employees of each Group company contact the Compliance Committee Secretariat or a law firm that serves as an outside point of contact for matters that may have a significant impact on the Company and its Group companies, as well as legal compliance status, in addition to the legal requirements. In addition, the

[Translation]

Company's Compliance Committee shall promptly report the information received from a reporter to President Executive Officer and the Director, who is a member of the Audit and Supervisory Committee.

The Company shall not have any relationship with antisocial forces that threaten the order and safety of civil society and shall reject any unreasonable demands from antisocial forces.

(2) System for the Storage and Management of Information Related to the Execution of Duties of the Company's Directors

The directors of the Company shall properly record, store and manage information relating to the execution of duties by the directors of the Company in documents or electromagnetic media (hereinafter referred to as "Documents and Others") in accordance with the internal rules for document management and other regulations. In accordance with the Document Management Rules, the person responsible for management shall maintain access to these Documents and Others to the directors, etc. of the Company (including directors who are Audit and Supervisory Committee members) as necessary.

(3) Rules and Other Systems to Manage the Risk of Loss for the Company and its Subsidiaries

The Corporate Strategy Division prepares rules and guidelines to address compliance, information security and disaster-related risks for Directors and Employees of the Company and Directors, etc. and employees of its subsidiaries. In addition, the Corporate Strategy Division prepares and distributes manuals and conducts training for the efficient functioning of these rules and guidelines at the Company and its subsidiaries, as well as monitoring and operating the risks. In addition, the Board of Directors shall promptly appoint a director or corporate officer to be responsible for responding to any new risks that arise.

(4) Systems to Ensure the Efficient Execution of Duties by the Directors of the Company and the Directors, etc. of the Company's Subsidiaries

The Board of Directors of the Company shall establish objectives that shall be shared by all directors and employees of the Group, the director or corporate officer in charge of each business segment shall set specific objectives for the achievement of such objectives in cooperation with the head of each business segment and the directors of the Company's subsidiaries in each business segment, and each business segment and the Company's subsidiaries shall determine efficient methods for achieving such objectives.

The Board of Directors of the Company shall periodically review the progress and advise, through the director or corporate officer in charge of each business unit and the directors of the Company's subsidiaries in each business unit, as well as encourage improvements as necessary, in order to establish a system to improve the efficiency of the Group's operations.

(5) System to Ensure the Appropriateness of the Business Operations of the Corporate Group Consisting of the Company and its Subsidiaries

The Company classifies each of its business divisions and subsidiaries into business categories and appoints a director or corporate officer to be in charge of each business category. The director or corporate officer in charge of each business segment is responsible for ensuring that the Board of Directors or the Executive Committee of the Company's Board of Directors and the Executive Committee work to improve operational efficiency, ensure legal compliance and appropriate risk management systems for each business segment and the Company's subsidiaries, as well as monitoring these systems. In addition, the Corporate Strategy Division shall promote these systems across the board and regularly review and manage their progress. While respecting the autonomy of the management of each company in the Group, the Company shall receive regular reports on its business activities.

(6) Matters Related to Directors and Employees who are to Assist the Duties of the Audit and Supervisory Committee, Matters Related to the Independence of Such Employees from Directors (Excluding Directors who are Audit and Supervisory Committee Members) and Matters Related to Ensuring the Effectiveness of Instructions to Such Employees

The Audit and Supervisory Committee of the Company may order employees of the Internal Audit Office to perform their duties, and employees who receive necessary orders from the Audit and Supervisory Committee shall not concurrently serve as employees of other departments, and with respect to such orders, they shall act solely under the direction and orders of the Audit and Supervisory Committee to serve as directors of the Company (directors who are Audit and Supervisory Committee members). The Company shall not be subject to the orders and instructions of the Audit and Supervisory Committee (except for those of the Company). In addition, the Audit and Supervisory Committee staff shall be assigned to assist the Company's Audit and Supervisory Committee as necessary.

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The Board of Directors of the Company (excluding directors who are Audit and Supervisory Committee members) and the Audit and Supervisory Committee of the Company shall exchange opinions on such personnel matters.

(7) Systems for Reporting to the Company's Audit and Supervisory Committee by Directors (Excluding Directors who are Audit and Supervisory Committee Members), Accounting Advisors, and Employees of the Company, as well as by Directors, Accounting Advisors, Corporate Auditors, Executive Officers, Employees who Execute Operations of the Company's Subsidiaries, and Other Persons and Employees of the Company's Subsidiaries who Perform their Duties as Defined in Article 598-1 of the Companies Act or Other Persons who are Equivalent to These Persons or who Receive Reports from These Persons (hereinafter referred to as "Directors, employees, etc."), other systems for reporting to Audit and Supervisory Committee, and systems for ensuring that those who have reported to Audit and Supervisory Committee are not subjected to any adverse treatment on account of their reporting

- i. As soon as possible, directors (excluding directors who are Audit and Supervisory Committee members), accounting advisors and employees of the Company and Directors, employees, etc. of the Company's subsidiaries shall report to the Audit and Supervisory Committee on matters that may have a significant impact on the Company and the Group, as well as on the status of compliance, in addition to matters required by law. The Company shall have a reporting system in place. The method of reporting (e.g., reporter, recipient, timing of reporting, etc.) shall be determined through consultation between the directors of the Company (excluding directors who are Audit and Supervisory Committee members) and the Audit and Supervisory Committee of the Company.
- ii. The Company shall ensure that the reporter will not be subjected to any disadvantageous treatment as a result of the report described in the preceding paragraph and shall ensure that all officers and employees within the Group are aware of this system.

(8) Other Systems to Ensure that the Audits of the Audit and Supervisory Committee of the Company are Conducted Effectively

The Company's Audit and Supervisory Committee and the Company's directors (excluding directors who are Audit and Supervisory Committee members) shall set up periodic meetings to exchange views to ensure that the Audit and Supervisory Committee's audits are conducted effectively.

(9) System to Ensure the Reliability of Financial Reporting

The Company shall establish and promote the establishment and operation of an internal control system to ensure the reliability of the financial reporting of the Company and the Group.

(10) Matters Relating to the Procedure for the Advance Payment or Reimbursement of Expenses Incurred in the Performance of the Duties of the Audit and Supervisory Committee of the Company and Other Matters Relating to the Treatment of Expenses or Liabilities Incurred in the Performance of Such Duties

- i. If Audit and Supervisory Committee of the Company makes a request to the Company for advance payment of expenses, etc. pursuant to Article 399-2, Paragraph 4 of the Companies Act as a result of the execution of its duties, the Company shall promptly process such expenses and liabilities after deliberation by the department in charge, unless it is determined that the expenses and liabilities related to such request are not necessary for the execution of Audit and Supervisory Committee's duties.
- ii. If the Company's Audit and Supervisory Committee requests its own outside experts (attorneys, certified public accountants, etc.) to serve as advisors to the Audit and Supervisory Committee, the Company shall bear the cost of such advisors, unless they are deemed not necessary for the execution of the Audit and Supervisory Committee's duties.

Under such a system, the Company will strive to ensure the legality and efficiency of its operations and manage risks, while constantly reviewing its internal control system in response to changes in the socioeconomic situation and other environmental conditions, in order to establish a more appropriate internal control system.

2. Basic Approach to the Elimination of Antisocial Forces and the Status of its Development

Based on the Compliance Program, the Group's basic policy is to have no relationships with antisocial forces and to firmly reject any unreasonable demands from antisocial forces.

In addition, the Corporate Strategy Division has been designated as the department in charge of overseeing the response to anti-social forces, and in order to prepare for unreasonable demands by anti-social forces,

[Translation]

the Company has been working to establish close relationships with external specialist organizations, such as the police and lawyers, on a regular basis. In addition, the Company has appointed a person in charge of preventing undue demands, collecting information on anti-social forces and participating in seminars and other activities.

V. Other Matters

1. Adoption of Anti-takeover Measures

Adoption of Anti-takeover Measures

Not Adopted

Supplementary Explanation

Basic Policy on Control of the Corporation

(1) Basic Policy on Control of the Company

As a listed company, the Company believes that shareholders of the Company are determined through free trading in the market, and even in cases where a large-scale purchase of the Company's shares is conducted by a large-scale purchaser, it is ultimately up to the shareholders who hold the Company's shares to decide whether or not to accept the large-scale purchase and sell their shares. The Company believes that a Large-Scale Purchaser's involvement in the management of the Company is not necessarily detrimental to the corporate value of the Company, and if it leads to the improvement of the corporate value of the Company and, in turn, the common interests of its shareholders, the Company will not deny it. We do not deny that a large-scale acquirer's involvement in the management of the Company is not necessarily detrimental to the corporate value of the Company, as long as it leads to the improvement of the corporate value of the Company and, in turn, the common interests of its shareholders. However, there are many cases of unilateral large-scale purchases that are carried out without sufficient consultation and agreement processes with the target company and are considered inappropriate, such as those that do not provide sufficient information to shareholders regarding the purpose of the purchase or management policy after the acquisition, or those that do not provide sufficient time for the target company's board of directors to review the details of the large-scale purchase and to provide an alternative proposal.

We believe that those who control decisions on the Company's financial and business policies must understand the Company's purpose and build smooth relationships with various stakeholders to contribute to society, maximize the Company's corporate value, and ensure the common interests of shareholders. The Company's Board of Directors is of the opinion that a person who conducts a large-scale acquisition of the Company's shares that would unintentionally damage the corporate value of the Company and cause disadvantages to its shareholders is not an appropriate person to control decisions on the Company's financial and business policies. Therefore, the Company believes that a person who engages in a large-scale purchase that would inadvertently damage the corporate value of the Company and create a disadvantage for its shareholders is not an appropriate person to control decisions on the Company's financial and business policies.

(2) Efforts to Contribute to the Realization of the Basic Policy on Control of the Company

The Company aims to expand and improve the profitability of the Group's businesses as a whole, and by proactively creating businesses that will become pillars of the Group's future earnings, the Company aims to achieve its corporate value and, in turn, the common interests of its shareholders, and to encourage large numbers of investors to hold the Company's shares over the long term by taking the following measures. We are implementing the following.

a. The Company's Basic Management Policy

Our purpose is to design "new context" for a sustainable society with technology. The basic concept of our business is to be a "context company" that organically connects companies, people and information. By making effective use of our solutions know-how based on our experience from the dawn of the Internet industry and the latest network technology, we have been developing functions that organically connect various complex information and enhance the value of the three parties, companies, people and information. Our basic management policy is to build services that contribute to a comfortable society in which people, the environment and the digital information society can coexist in harmony, always keeping our eyes a few steps ahead of the times. Our basic management policy is to build services that contribute to a comfortable society in which people, the environment and the digital information society can coexist in harmony, by always keeping a perspective several steps ahead of the times and by calmly and accurately selecting the right contexts.

b. Medium- to Long-Term Initiatives to Increase Corporate Value

Our mission and values are "to continuously create sustainable "business context" from an earth-centric perspective by integrating technology, ESG, and incubation with First Penguin Spirit," and we are

[Translation]

committed to providing our clients with the latest Internet technology, marketing technology that is one step ahead of the trends in the world, and reliable and trustworthy services. We believe that creating new contexts at the point of contact between real space and cyberspace (virtual space), based on our advanced financial technology, will help to ensure and enhance our corporate value and, in turn, the common interests of our shareholders.

With this in mind, we have formulated a medium-term, five-year plan starting from the fiscal year ending March 31, 2021, as a means of enhancing our corporate value over the medium to long term.

c. Measures to Prevent Inappropriate Persons from Controlling Decisions on Financial and Business Policies of the Stock Company

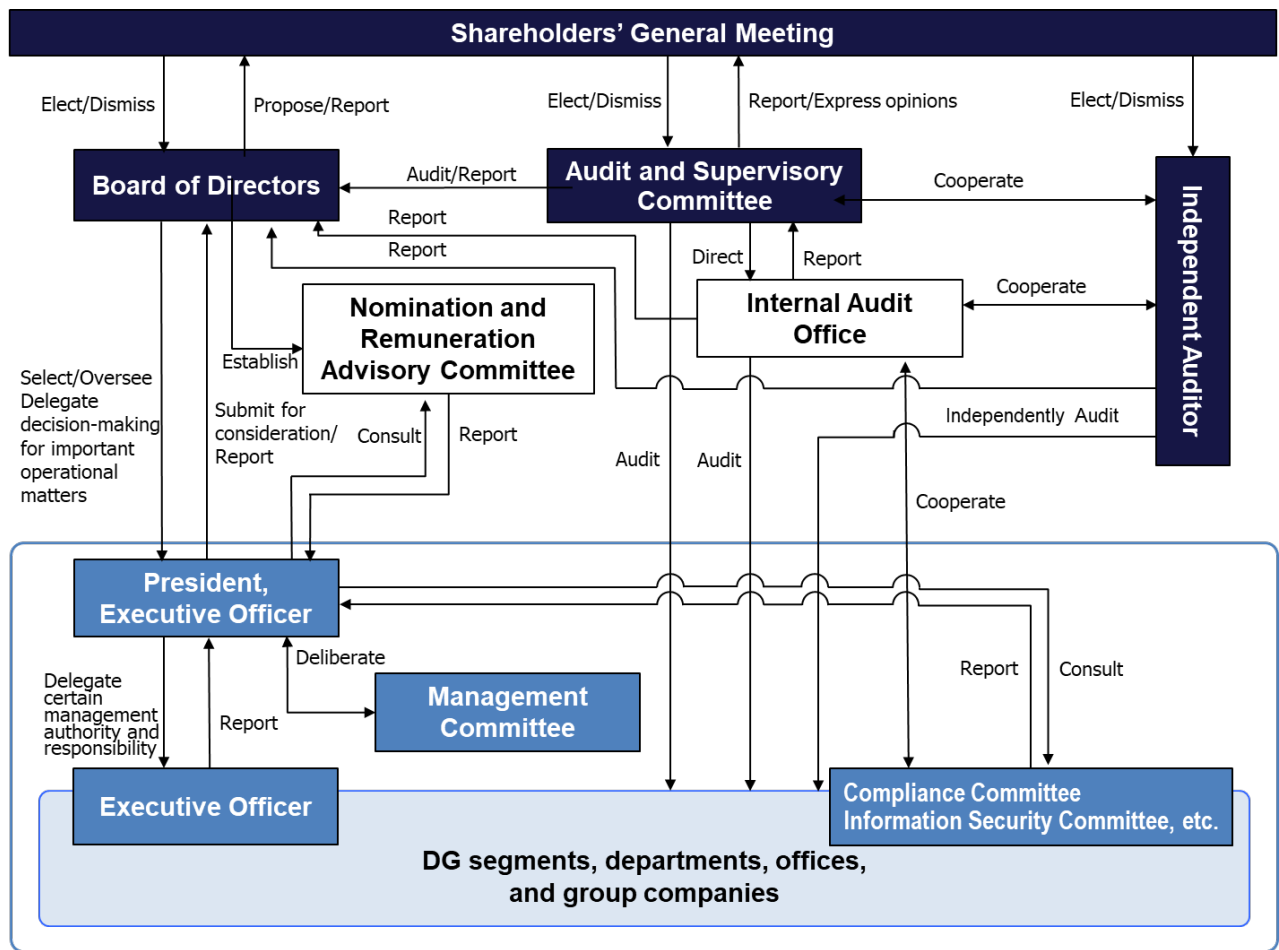
In the event of a Large-Scale Purchase of the Company's Shares, etc., the Company will strive to actively collect and disclose information in a timely and appropriate manner in order to secure the Company's corporate value and the common interests of its shareholders, and will take appropriate measures to the extent permitted by the Financial Instruments and Exchange Law, the Companies Act, other relevant laws and regulations, and the Company's Articles of Incorporation.

(3) The Board of Directors' Decision on the Above Initiatives

Each of the above initiatives is intended to enhance the corporate value of the Group and, in turn, the common interests of its shareholders, are not intended to maintain the status of the Company's officers, and are all in line with the basic policy described in (1) above.

2. Other Matters Related to the Corporate Governance System, etc. Updated

Corporate Governance Organization Chart



[Translation]

Expertise and Experiences of the Company's Board of Directors (Skill Matrix)

Name	Post	Positions, Responsibilities, etc.	Corporate Management	Business Strategy	Financial Accounting	Investment Incubation	Technology R&D	Global	Legal affairs Governance	Organizational and Human Resources Development HR
Kaoru Hayashi	Representative Director, President Executive Officer and Group CEO	In charge of the Group management, member of Nomination and Remuneration Advisory Committee	○	○		○	○	○		
Keizo Odori	Director, Vice President Executive Officer and Group COO	In charge of the Group general management, domestic business supervision, the Long-term Incubation Segment	○	○			○			○
Makoto Soda	Director, Senior Managing Executive Officer	In charge of the Corporate Strategy Division, the Group management administration			○	○			○	
Masahito Okuma	Director, Managing Executive Officer	In charge of the Incubation Technology segment, DG Lab, strategic business, global business		○		○	○	○		
Masashi Tanaka	Director, Senior Executive Officer	In charge of the Marketing Technology Segment, recurring business, the Group information security (CISO)		○			○			
Hiroshi Shino	Director, Senior Executive Officer	In charge of the Financial Technology Segment		○			○			
Joichi Ito	Director			○		○	○	○		
Emi Omura	Independent Outside Director							○	○	
Yasuyuki Rokuyata	Director (Audit and Supervisory Committee Chairperson)		○						○	
Makoto Sakai	Independent Outside Director (Audit and Supervisory Committee Member)	Member of Nomination and Remuneration Advisory Committee (Chairperson)							○	○
Junji Inoue	Independent Outside Director (Audit and Supervisory Committee Member)	Member of Nomination and Remuneration Advisory Committee					○	○		
Koji Makino	Independent Outside Director (Audit and Supervisory Committee Member)				○				○	
Minoru Ohno	Independent Outside Director (Audit and Supervisory Committee Member)								○	○

Overview of Timely Information Disclosure

