

The status of T-Gaia Corporation's corporate governance is described herein.

I Basic approach regarding corporate governance, capital structure, corporate attributes and other basic information

1. Basic Approach

The Group considers corporate governance to be a framework to control its business activities and believes that it is essential that the rights and interests of shareholders are protected and equally guaranteed. In addition, T-Gaia believes it is necessary to respect the rights and interests of stakeholders other than shareholders—including customers, business partners, employees, and members of the community and society—and to build smooth relationships with them. This basic approach to corporate governance has been specified as the Basic Policy on Corporate Governance, which is published on our corporate website. Under our recognition that striving to conduct business while constructing and maintaining a better governance system is a mission for any corporation in society, we have established an institutional framework from the viewpoints of "ensuring management transparency" and of "preserving and improving corporate value" and then raising effectiveness through daily activities.

[Reasons for not implementing each principle of the Corporate Governance Code]



[Supplemental Principle 4-2-1]

The Company specifically clarified the remuneration of directors and executive officers.

We have introduced a system in which remuneration varies according to the achievement of established targets including medium- to long-term measures. In this system, executive officers' remuneration is divided into fixed remuneration and remuneration linked to business performance, and for the remuneration linked to business performance, a business performance ratio for the entire company and the officer's own organization is determined in accordance with the officer's rank.

The current status is that remuneration is paid in cash each year and that the introduction of remuneration in the form of company stock has been under consideration.

[Disclosures based on each principle of the Corporate Governance Code]



[Principle 1-4 Cross-Shareholdings]

T-Gaia Corporation, in its aim to build, preserve, and enhance transaction and collaborative relationships, only holds stocks that conform to the company's shareholding policy. Every year, in consideration of the total profits earned through the preservation and enhancement of transaction relationships, decisions on continual holding or disposal are made at the board of directors meeting.

Voting rights are exercised upon careful examination of each proposal and then approval or non-approval of the proposal is decided upon in consideration of appropriateness to the Company's holding policy and the contribution to the preservation and enhancement of the Group's corporate value together with the governance system of the investee company and the contribution to the enhancement of its corporate value.

[Principle 1-7 Related Party Transactions]

The content of highly important transactions with executive officers and major shareholders is deliberated by the Board of Directors, which then decides whether or not the transaction can be conducted. Also, each year the existence of transactions between the Company and its executive officers is confirmed, and it is verified that no transaction imposes harm on the interests of either the company or its shareholders.

[Principle 3-1 Full Disclosure]

(i) The Group discloses its corporate philosophy and medium-term goals for reference on the Company website.

Corporate Philosophy: <http://www.t-gaia.co.jp/company/vision.html>

Medium-term Goal: <http://www.t-gaia.co.jp/company/plan.html>

(ii) The Group discloses its Basic Policy on Corporate Governance for reference on the Company website.

Basic Policy on Corporate Governance: <http://www.t-gaia.co.jp/company/governance.html>

(iii) The policies and procedures for the Board of Directors to determine remuneration for directors and executive officers are disclosed for reference in "1. Matters regarding institutional composition and organization management [Directors' remuneration]" of "II Status of the corporate management organization regarding decision-making, execution, and monitoring of company management and other corporate governance systems" in this report.

(iv) The policies and procedures for the Board of Directors to select the company's management team and to nominate candidates for director or corporate auditor are published for reference on the Company's website in "Chapter 2 Corporate governance system" of the "Basic Policy on Corporate Governance" and in "1. Matters regarding institutional composition and organization management [Directors]" of "II Status of the corporate management organization regarding decision-making, execution, and monitoring of company management and other corporate governance systems" in this report.

(v) The reasons for the selection of the management team and the selection of candidates for director and corporate auditor are disclosed for reference in the "Reference Documents for the Annual General Meeting of Shareholders" in the "Notice of Convocation of the Ordinary General Meeting of Shareholders" and in "1. Matters regarding institutional composition and organization management [Directors] and [Corporate auditors]" of "II Status of the corporate management organization regarding decision-making, execution, and monitoring of company management and other corporate governance systems" in this report.

[Supplemental Principle 4-1-1]

The Company has established the Board of Directors as a mechanism for corporate decision-making and oversight and the Management Conference, Board/System of Executive Officers, and other deliberative bodies as a work execution system based on this decision-making. These actions are intended to

establish a separation between management decision-making and work execution.

The Board of Directors makes decisions on matters specified in laws and regulations and the Articles of Incorporation, on the formulation of the medium-term business plan, and for individual items; in addition, it determines the disposition and transfer of important assets of the Company and its Group companies and important matters for large borrowings, etc. It also clarifies the scope of delegation to the management team in accordance with the Work Authority Regulations approved by the Board.

[Principle 4-8 Effective Use of Independent External Directors]

The Company appoints three people as independent external directors who fulfill the standards of independence specified by the Company and the standards of independence specified by the Tokyo Stock Exchange.

[Principle 4-9 Independence Standards and Qualifications for Independent External Directors]

In order to give consideration to all stakeholders, the Company has specified its own independence standards based on the provisions of the Tokyo Stock Exchange. For details, please refer to "1. Matters regarding institutional composition and organization management [Independent directors/auditors]" of "II Status of the corporate management organization regarding decision-making, execution, and monitoring of company management and other corporate governance systems" in this report.

Also, the appointment of external directors is stated in "Chapter 2 Corporate governance system" of the Basic Policy on Corporate Governance, which is published for reference on the Company website.

Basic Policy on Corporate Governance: <http://www.t-gaia.co.jp/company/governance.html>

[Supplemental Principle 4-11-1]

The approach regarding the overall balance, diversity, and size of the Board of Directors and the policies and procedures on appointment of directors are stated for reference in "Chapter 2 Corporate governance system" of the Basic Policy on Corporate Governance, which is published on the Company website. Basic Policy on Corporate Governance: <http://www.t-gaia.co.jp/company/governance.html>

[Supplemental Principle 4-11-2]

The status of joint appointment as an executive officer is stated and explained in the notice of convocation for the Annual General Meeting of Shareholders. For all officers, the status of joint appointment is judged to be within a reasonable range and it is also judged that their respective work duties can be fully accomplished.

[Supplemental Principle 4-11-3]

With regards to the overall effectiveness of the Board of Directors, the Company conducts a questionnaire survey for the directors and corporate auditors and then has an objective analysis performed by a third-party organization. Also, based on the results, discussions are held with board members and self-appraisals are administered to the entire board as an effort to improve this function.

In the fiscal year ended March 31, 2017, the results of the Board of Directors' self-appraisals showed that the Board is appropriately carrying out its function and that it is judged to be effective.

[Supplemental Principle 4-14-2]

Explanations concerning laws and regulations by a legal specialist, and reference documents regarding corporate management, etc. are distributed among and shared with directors and corporate auditors. Additionally, training programs are on offer since fiscal year 2017 for newly inaugurated and incumbent directors and corporate auditors, designed to communicate the knowledge necessary for the performance of their job duties. In addition, with the purpose of deepening understanding of the Group's business and issues to address, such measures are taken as necessary to give explanations to the external directors and corporate auditors on the Company's business and issues to address and to have these external officers and corporate auditors make inspection visits to the actual sites of our Company's retail outlets, etc.

[Principle 5-1 Policy for Constructive Dialogue with Shareholders]

The Company has established an Investor Relations Department within the Corporate Planning Division. By doing this, the Company not only conducts information disclosure but also proactively engages in constructive dialogue with shareholders.

In addition, the "Disclosure Policy" that specifies the Basic Policy on Information Disclosure, which also includes investor relations (IR), has been approved by the Board of Directors and published on the Company website.

For details on IR activities please refer to "2. Status of IR Activities" of "III Implementation status of measures regarding shareholders and other interested parties."

Disclosure Policy: <http://www.t-gaia.co.jp/ir/disclosure.html>

2. Capital Composition

Foreign shareholding ratio	10% or greater, but less than 20%
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[Status of largest shareholders]



Name	Number of shares held	Ratio (%)
Sumitomo Corporation	23,345,400	29.52
Hikari Tsushin, Inc.	11,933,400	15.09
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,520,700	1.92
Japan Trustee Services Bank, Ltd. (Trust Account)	1,189,000	1.50
Info Service, Inc.	1,143,000	1.44
T-Gaia Employee Shareholding Association	743,800	0.94

NOMURA PB NOMINEES LIMITED OMNIBUS-MARGIN (CASH PB)	611,000	0.77
Nomura Securities Co., Ltd.	528,700	0.66
JPMCB NA ITS LONDON CLIENTS AC MORGAN STANLEY AND CO INTERNATIONAL LIMITED	515,500	0.65
THE BANK OF NEW YORK MELLON 140044	450,700	0.56

Is there a controlling shareholder (except for parent company)?	-----
Is there a parent company?	Sumitomo Corporation Company (Listed on the Tokyo, Nagoya and Fukuoka Stock Exchanges), Stock code: 8053

Supplementary explanation

3. Corporate Attributes

Listed stock exchange and market category	Tokyo Stock Exchange, First Section
Fiscal year-end	March
Type of business	Information and telecommunications
No. of employees (consolidated) at the end of the previous fiscal year	Over 1,000
Net sales (consolidated) in the previous fiscal year	100 billion yen or greater but less than 1 trillion yen
No. of consolidated subsidiaries at the end of the previous fiscal year	Fewer than 10

4. Guidelines regarding the plan for protection of minority shareholders when conducting a transaction with a controlling shareholder

For highly important transactions with a controlling shareholder, the Board of Directors deliberates their content, decides whether or not the transaction can be conducted, and verifies that no transaction imposes harm on the interests of the company and its minority shareholders.

5. Other special information that can have a major effect upon corporate governance Updated



Sumitomo Corporation holds 41.89% of voting rights and the Company's Board of Directors is composed of a majority appointed from Sumitomo Corporation; therefore, in accordance with the effective control standards, Sumitomo Corporation is the parent company of T-Gaia Corporation. The Company has a personal relationship and transaction relationship with the parent company, but executes its own management judgment, and because business operations in all fields of the Company are independent from Sumitomo Corporation, the Company recognizes that it has secured its independence.

II Status of the corporate management organization regarding decision-making, execution, and monitoring of company management and other corporate governance systems

1. Matters regarding institutional composition and organization management

Form of organization	Company with a board of corporate auditors
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[Directors]

Number of directors in the Articles of Incorporation	12
Term of appointment of directors in the Articles of Incorporation	1 year
Chairperson of the Board of Directors 	Chairperson (except when the chairperson serves simultaneously as president)
Number of directors 	9
Status of appointment of external directors	Appointed
Number of external directors	3
Number of external directors specified as an independent director/auditor	3

Relationship with company (1)

Name	Attributes	Relationship with company (*)											
		a	b	c	d	e	f	g	h	i	j	k	
Masami Arata	Appointed from another company												
Toshiya Asaba	Appointed from another company								Δ				
Kyoko Deguchi	Appointed from another company												

* Items selected for relationship with company

* ○ The director corresponds to "current or recent" for the respective item, ΔThe director corresponds to "past" for the respective item

* ● A close relative corresponds to "current or recent" for the respective item, ▲A close relative corresponds to "past" for the respective item

a Executive person at a listed company or its subsidiary

b Executive person or non-executive director at the parent of a listed company

c Executive person at a sister company of a listed company

d Person, or executive person at an entity, for which the listed company is a major business partner

e Major business partner of a listed company or an executive person at that partner

f Consultant, accounting specialist, or legal specialist who receives large remuneration other than executive officer remuneration in cash or other assets from a listed company

g Major shareholder of a listed company (or executive person at the corresponding corporation for the case in which the shareholder is a corporation)

h Executive person (actual person only) of business partner of a listed company (does not correspond to d, e, or f.)

i Executive person (actual person only) of a party that has a relationship of mutual appointment of external officers

j Executive person (actual person only) of a party for whom a listed company makes a contribution

k Other

Relationship with company (2) Updated

Name	Independent director/auditor	Supplementary explanation regarding conforming item	Reason for appointment
Masami Arata	○	-----	<p>Masami Arata has at his disposal a wealth of experience and outstanding discernment as business manager gained in positions as representative director at a diversity of business corporations. Since fiscal year 2014, he has been as external director of the Company involved in the supervision of persons engaged in work execution, demonstrating his capabilities. Masami Arata has been invited as an external director of the Company in order to make his aggregated experience and discernment available for use in the supervision and decision-making surrounding the business activities of the Company.</p> <p>Masami Arata has been specified as an independent director/auditor upon a judgment that there is no possibility of a conflict of interest arising with general shareholders.</p>
Toshiya Asaba	○	<p>Although Toshiya Asaba was an executive person at Internet Initiative Japan Inc., which has a transaction relationship with the Company, he is judged to have preserved his independence because he left the employ of that company in June 2008.</p>	<p>Toshiya Asaba has at his disposal deep knowledge especially of the information and communications field and a wealth of experience and outstanding discernment gained as manager and CTO at another corporation. Since fiscal year 2016, he has been as external director of the Company involved in the supervision of persons engaged in work execution, demonstrating his capabilities. Toshiya Asaba has been invited as an external director of the Company in order to make his aggregated experience and discernment available for use in the supervision and decision-making surrounding the business activities of the Company.</p> <p>Toshiya Asaba has been specified as an independent director/auditor upon a judgment that there is no possibility of a conflict of interest arising with general shareholders.</p>
Kyoko Deguchi	○	-----	<p>Kyoko Deguchi has at her disposal a wealth of experience and outstanding discernment as business manager and CFO gained in positions as representative director at a diversity of business corporations. Since fiscal year 2016, she has been as external director of the Company involved in the supervision of persons engaged in work execution, demonstrating her capabilities. Kyoko Deguchi has been invited as an external director of the Company in order to make her aggregated experience and discernment available for use in the supervision and decision-making surrounding the business activities of the Company.</p> <p>Kyoko Deguchi has been specified as an independent director/auditor upon a judgment that there is no possibility of a conflict of interest arising with general shareholders.</p>

Is there a committee that corresponds to a nomination committee or remuneration committee?	Yes
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 Establishment status of the committee, member composition, chairperson (president) attributes Updated

	Name of committee	No. of all members	No. of full-time members	No. of internal directors	No. of external directors	No. of external experts	No. of other	Chairperson (president)
Committee that	Nomination	6	0	3	3	0	0	Director

corresponds to a nomination committee	Committee									(internal)
Committee that corresponds to a remuneration committee	Remuneration Committee	6	0	3	3	0	0	0	0	Director (internal)

Supplementary explanation Updated

In order to increase management transparency, the Company has established the Nomination Committee and Remuneration Committee as advisory bodies to the Board of Directors.

The purpose of the Nomination Committee is to submit proposals to the board on the appointment and removal from office of executive officers at the level of director and senior corporate executive officer, or higher. The purpose of the Remuneration Committee is to submit proposals to the board on the remuneration of directors and executive officers.

The Nomination Committee and Remuneration Committee are composed of external directors in addition to the representative director and president and directors nominated by the representative director and president. Committee members are determined by the Board of Directors.

[Corporate auditors]

Has a Board of Auditors been established?	Established
Number of corporate auditors in the Articles of Incorporation	5
Number of corporate auditors	4

Status of ties between corporate auditors, accounting auditors, and the Internal Audit Division Updated

The audit firm and the corporate auditors hold meetings for the quarterly and annual settlement of accounts regarding the audit plan, status of audit implementation, and results of the accounting audit.

Also, the Internal Audit Department has been established as an internal audit division reporting directly to the president. Full-time staff have been placed in the department. Based on the Internal Audit Regulations, the department conducts operation audits, audits of privacy protection for personal information, and evaluations of independent internal control departments. Although full-time staff has not been placed in the Board of Auditors or with the corporate auditors, audit efficiency of the audit plans and status of audit implementation of the Internal Audit Department is being improved through close links involving the exchange of information and opinions, at frequencies of two to three times per month or when seen as necessary by the Internal Audit Department.

The names and audit firms of the certified public accountants (CPAs) who have performed the accounting audit of the Company are listed below.

Shigeo Kawashima of Deloitte Touche Tohmatsu LLC, Designated Limited Liability Partner and Engagement Partner
Naokazu Fukushi of Deloitte Touche Tohmatsu LLC, Designated Limited Liability Partner and Engagement Partner

Note: The consecutive years of auditing is not stated because it is less than seven years for all auditors.

Auxiliary personnel involved in the accounting audit consist of a total of 13 persons comprised of six CPAs from Deloitte Touche Tohmatsu LLC and seven other persons.

Status of appointment of external corporate auditors	Appointed
Number of external corporate auditors	2
Of the above, the number who have been specified as an independent director/auditor	2

Relationship with company (1) Updated

Name	Attributes	Relationship with company (*)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Toshiro Kaba	Attorney at law													

Tetsuo Kitagawa	Certified public accountant																				
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* Items selected for relationship with company

* ○ The director corresponds to "current or recent" for the respective item, △ The director corresponds to "past" for the respective item

* ● A close relative corresponds to "current or recent" for the respective item, ▲ A close relative corresponds to "past" for the respective item

- a Executive person at a listed company or its subsidiary
- b Non-executive director or accounting adviser of a listed company or its subsidiary
- c Executive person or non-executive director at the parent of a listed company
- d Corporate auditor of the parent company of a listed company
- e Executive person at a sister company of a listed company
- f Person, or executive person at an entity, for which the listed company is a major business partner
- g Major business partner of a listed company or an executive person at that partner
- h Consultant, accounting specialist, or legal specialist who receives large remuneration other than executive officer remuneration in cash or other assets from a listed company
- i Major shareholder of a listed company (or executive person at the corresponding corporation for the case in which the shareholder is a corporation)
- j Executive person (actual person only) of business partner of a listed company (does not correspond to any of f, g, or h.)
- k Executive person (actual person only) of a party that has a relationship of mutual appointment of external officers
- l Executive person (actual person only) of a party for whom a listed company makes a contribution
- m Other

Relationship with company (2) Updated

Name	Independent director/auditor	Supplementary explanation regarding conforming item	Reason for appointment
Toshiro Kaba	○	-----	<p>Toshiro Kaba is as legal counsel thoroughly familiar with corporate legal affairs and has at his disposal a wealth of experience and discernment. Moreover, he has deep knowledge of the IT and Internet fields. Since fiscal year 2013, he has been as external corporate auditor of the Company performed appropriate audits. Toshiro Kaba has been invited as an external corporate auditor of the Company in order to make this experience and discernment available for use in the monitoring of management at large and appropriate auditing activities.</p> <p>Toshiro Kaba has been specified as an independent director/auditor upon a judgment that there is no possibility of a conflict of interest arising with general shareholders.</p>
Tetsuo Kitagawa	○	-----	<p>Tetsuo Kitagawa is as CPA thoroughly familiar with the finance and accounting fields and has at his disposal a wealth of experience and discernment. He has been invited as an external corporate auditor of the Company in order to make this experience and discernment available for use in the monitoring of management at large and appropriate auditing activities. Although Tetsuo Kitagawa has no experience of a direct involvement in corporate management, based on the above reasons the Company has judged that he has the capability to appropriately execute the duties as external corporate auditor of the Company.</p>

			Testuo Kitagawa has been specified as an independent director/auditor upon a judgment that there is no possibility of a conflict of interest arising with general shareholders.
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[Independent directors/auditors]

Number of independent directors/auditors	5
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Matters regarding other independent directors/auditors

If none of the following conditions are met, then the Company judges that the person qualifies as independent.

1. The person is an executive person at the Company or one of its subsidiaries (associated company) (hereinafter referred to as "the Group") or has been such an executive person in the past.
2. The person is a director, corporate auditor, accounting adviser, executive officer, corporate executive officer, or manager or other employee at a parent or sister company of the Company; or within the last five years, the person has been a director, corporate auditor, accounting adviser, executive officer, corporate executive officer, or manager or other employee at a company that is now a parent or sister company of the Company.
3. The person is designated by the Group as a major business partner, or either currently or within the last three years as an executive person at said partner. (A "major business partner" is one whose transactions have accounted for 2% or more of annual consolidated net sales in the most recent fiscal year.)
4. The person is a major business partner of the Group, or either currently or within the last three years an executive person at a major business partner of the Group. (A "major business partner" is one whose transactions have accounted for 2% or more of annual consolidated net sales in the most recent fiscal year.)
5. Within the last three years, the person has supplied specialized services as a consultant, attorney at law, or CPA and earned profits other than officer remuneration from the Group in the form of cash or other assets worth over 10 million yen per year (however, provided that if the entity receiving the corresponding assets is a corporation, association, or other organization, then the person belongs to an organization for which the assets obtained from the Company exceed 2% of annual revenues).
6. Within the last three years, the person has been a major creditor of the Group or an executive person at said creditor. (A "major creditor" is defined as an entity that lends to the Group an amount equivalent to 2% or more of consolidated total assets at the end of the most recent fiscal year.)
7. The person is a major shareholder of the Company or an executive person at said major shareholder, either currently or in the last five years.
8. The person receives an annual contribution from the Group of 10 million yen (provided, however, that if the entity receiving the corresponding assets is a corporation, partnership, or other organization, then the person is an executive person of an organization for which the assets obtained from the Group exceed 2% of annual revenue) or was an executive person at said entity within the last three years.
9. The person is an accounting auditor of the Company or a person engaged in audit work of the Group as an employee of said accounting auditor, or a person engaged in audit work of the Group as a corresponding employee within the last three years.
10. The person is a director, corporate auditor, accounting adviser, executive officer, corporate executive officer, or manager or other employee of a company of which the Company is currently a major shareholder.
11. The person is a director, corporate auditor, accounting adviser, executive officer or corporate executive officer of a company, its parent company, or one of its subsidiaries which accepts a director or corporate auditor from the Group,
12. The person is a relative within the second degree of kinship of a person who corresponds to one of a director, executive officer, corporate executive officer, or manager or other employee of the Group, or is a relative within the second degree of kinship of a person who within the last three years has corresponded to either a director, executive officer, corporate executive officer, or manager or other employee of the Group.
13. The person is a relative within the second degree of kinship of a person (limited to persons in an important position) cited in one of the aforementioned items 2 to 10.
14. A person whose term of appointment as an external executive officer of the Company has exceeded eight years.
15. Outside of the previous items, the person has a special reason that he or she cannot fulfill the work duties as an external executive officer holding independence, including such reasons as any conflict of interest that may arise with the Company.

The Company designates as independent directors/auditors all external officers who fulfill the qualifications of an independent director/auditor.

[Incentives]

Implementation status of measures regarding incentive grants to directors	Not implemented
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Supplementary explanation regarding corresponding item Updated

The Company has specifically clarified remuneration for directors and executive officers.

We have introduced a system in which remuneration will vary in accordance with established targets including medium- to long-term measures. In this system, executive officers' remuneration is divided into fixed remuneration and variable remuneration linked to business

performance, and for the variable component a business performance ratio for the entire company and the officer's own organization is determined in accordance with the officer's rank.

The current status is that remuneration is paid in cash each year and that the introduction of remuneration in the form of company stock has been under consideration.

Parties eligible for stock option grants	
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Supplementary explanation regarding corresponding item

[Directors' remuneration]

Disclosure status (of individual directors' remuneration)	Individual remuneration has not been disclosed.
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Supplementary explanation regarding corresponding item Updated

The total amount of remuneration for directors of the Company for the fiscal year ended March 31, 2017, is as follows.

Remuneration paid to directors - 195 million yen

Is there a policy for determining the amount of remuneration or its method of calculation?	Yes
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Is the policy for determining the amount of remuneration or its method of calculation disclosed?

As advisory bodies to the Board of Directors, the Company has established a Nomination Committee and Remuneration Committee.

The Remuneration Committee submits a proposition regarding the recommendation of directors and executive officers to the Board of Directors.

The Remuneration Committee is composed of external directors including independent external directors in addition to the representative director and president and directors designated by the representative director and president. The committee's membership is determined by the Board of Directors.

[Support structure for external directors (external corporate auditors)]

The Corporate Planning Division is in charge of the dissemination of information to the external directors and external corporate auditors. The Board of Directors meets once per month, in principle. Notices of convocation concerning the time, location, and agenda of the board meeting are sent by means such as email to each director and corporate auditor. Issues requiring explanation are explained in advance.

2. Matters regarding execution of work, audits and monitoring, nominations, and determination of remuneration (summary of current corporate governance system) Updated

1. Work execution function, audit and monitoring function

1) Board of Directors and Directors

In addition to deciding upon important matters, the Board of Directors monitors whether the execution of directors' work duties is effective and appropriate.

The Board of Directors is composed of nine members (three of whom are independent directors/auditors) including three external directors. Its meetings are also attended by all four corporate auditors (two of whom are independent directors/auditors). Regular meetings are held monthly and extraordinary meetings are held when needed to realize dynamic management.

The method for selecting directors is as follows.

(i) Directors (internal)

As candidates, (internal) directors have sincere character and high perception and ability in addition to special expertise and abundant experience centering on the information and communications field. Gender and nationality are not relevant factors.

(ii) External directors

As candidates, external directors have sincere character and high perception and ability in addition to the ability to offer advice from an independent perspective based on broad expertise and experience in the oversight of work execution, their native fields, and corporate management. Gender and nationality are not relevant factors.

2) Board of Auditors and corporate auditors

Of the Company's four corporate auditors, two are external corporate auditors (two of whom are independent directors/auditors). They offer advice on general management from a fair and neutral standpoint, which capitalizes on their work history, experience, and specialized knowledge, and not just the appropriateness of the audits.

The Board of Auditors meets once per month in principle, and the four corporate auditors collaborate and carry out reporting. Also, this framework is one in which the two full-time corporate auditors attend important meetings within the Company, including the Board of Directors meeting and Management Conference, and also monitor the status of management policy decisions and the execution of directors' work duties. In addition, the corporate auditors see that suitable links are established between the Internal Audit Department

and the audit firm. Through exchange of views and information, they strive to strengthen the internal control system.

The policy for selecting corporate auditors is as follows.

As candidates, corporate auditors have sincere character and high perception and ability in addition to special expertise in work operations and management experience. They also are considered to contribute to the sustainable growth and expansion of the Company and the enhancement of medium- to long-term corporate value. Nationality and gender are not relevant factors. As candidates, the independent external corporate auditors in particular have high-level expertise and a wealth of experience in fields such as law, accounting, and corporate management.

3) Management Conference

The Management Conference deliberates on important matters related to management including critical policies related to general company management, discussions of the Board of Directors, and matters for reporting. Through mutual exchange of information among attendees of the Management Conference, the conference seeks to facilitate communications from a work execution perspective.

The Management Conference is attended by supervisory officers at the level of senior corporate executive officer or higher. In addition to regular meetings, the conference holds extraordinary meetings as needed.

4) Board of Executive Officers

The Board of Executive Officers convenes in order to foster smooth communications between divisions by transmitting and reporting important matters from a work execution perspective.

The Board of Executive Officers consists of all 18 executive officers appointed by the Board of Directors.

5) Internal Audit Department

The Company has established an Internal Audit Department of 15 people under direct supervision of the president. The department carries out accounting audits and work audits (standard work audits, audits of privacy protection for personal information) based on the Internal Audit Regulations.

The Internal Audit Department conducts audits in accordance with an internal audit plan developed in advance. The department will also conduct special purpose audits when they are specially directed by the president.

In this system, the results of internal audits are used to prepare an internal audit report. Based on the findings in this report, the audited department will prepare a follow-up report and promptly incorporate these findings in operational improvements.

6) Accounting auditors

The Company has appointed Deloitte Touche Tohmatsu LLC as its accounting auditors.

The names and audit firms of the certified public accountants who have performed the accounting audit of the Company are listed below.

Shigeo Kawashima of Deloitte Touche Tohmatsu LLC, Designated Limited Liability Partner and Engagement Partner

Naokazu Fukushi of Deloitte Touche Tohmatsu LLC, Designated Limited Liability Partner and Engagement Partner

Note: The consecutive years of auditing is not stated because it is less than seven years for all auditors.

Auxiliary personnel involved in the accounting audit consist of a total of 13 persons comprised of six CPAs from Deloitte Touche Tohmatsu LLC and seven other persons.

2. Functions for nominations and determining remuneration

For an overview of the Nomination Committee and Remuneration Committee, please refer to "1. Matters regarding institutional composition and organization management [Directors]" of "II Status of the corporate management organization regarding decision-making, execution, and monitoring of company management and other corporate governance systems" in this report.

3. Overview of details concerning agreements for limitations of liability

The Company has entered into agreements with its directors (except for those who serve as executive directors, etc.) and corporate auditors which limit liability for damages of Article 423, Paragraph 1 of the Companies Act, based on Article 427, Paragraph 1 of the same act and Articles 28 and 38 of the Articles of Incorporation. The amount of the limitations on liability for damages, based on the corresponding agreements, is the minimum amount of liability provided for in Article 425, Paragraph 1 of the Companies Act. The acceptance of the corresponding limitations on liability is limited to cases without gross negligence and in which the work duties that were the source of liability of the corresponding director or corporate auditor were performed with good intentions.

3. Reasons for selecting the current corporate governance system

The Company employs the "company with a board of auditors" form of organization.

Centering on directors who are well-versed in operations, management with a sense of speed is possible, while at the same time external directors, who are deeply familiar with the telecommunications industry and corporate management, supervise the execution of work duties by directors and offer advice from an outside perspective.

The Company employs as its form of organization a "company with a board of auditors" because it is a framework in which corporate auditors with expertise in corporate management, finance, management and financial accounting, law, and other fields can ensure the appropriateness of operations by conducting audits in conjunction with the Internal Audit Department and the auditing firm.

III Implementation status of measures regarding shareholders and other interested parties

1. Status of programs for invigorating the General Meeting of Shareholders and facilitating exercise of voting rights

Updated

	Supplementary explanation
Prompt distribution of the notice of convocation of the General Meeting of Shareholders	The notice of convocation of the General Meeting of Shareholders of June 21, 2017, was distributed six days before the legal deadline.
Setting the General Meeting of Shareholders to avoid dates on which many companies hold shareholders meetings	The General Meeting of Shareholders for the fiscal year ended March 31, 2017, was held on June 21, 2017, to avoid the most concentrated day of June 29 and the second-most of June 28.
Exercise of voting rights by electronic means	Starting in 2017, the Company has enabled the exercise of voting rights over the Internet.
Participation in platforms for the electronic exercise of voting rights and other efforts to improve the environment for the exercise of voting rights by institutional investors	Starting in 2017, the Company has started using a voting rights exercise platform for institutional investors.
Providing a (summary) English version of the notice of convocation	The Company published on its website an English version of the notice of convocation for the General Meeting of Shareholders of June 21, 2017. URL: http://www.t-gaia.co.jp/english/ir/event/meeting.html
Other	In order to facilitate the exchange of opinions between shareholders and Company management, an informal shareholders' gathering was held at the conclusion of the General Meeting of Shareholders.

2. Status of investor relations activities

Updated

	Supplementary explanation	Is an explanation provided by an actual representative officer?
Preparation and release of a disclosure policy	The disclosure policy has been published on the Company website. URL: http://www.t-gaia.co.jp/ir/disclosure.html	
Holding regular briefings for individual investors	July 9, 2016: Tokyo, 351 participants Briefer: President, Content: Introduction to T-Gaia Corporation, explanation of business strategy and results August 4, 2016: Tokyo, 111 participants Briefer: President, Content: Introduction to T-Gaia Corporation, explanation of business strategy and results October 29, 2016: Osaka, 131 participants Briefer: President, Content: Introduction to T-Gaia Corporation, explanation of business strategy and results February 2, 2017: Nagoya, 160 participants Briefer: President, Content: Introduction to T-Gaia Corporation, explanation of business strategy and results	Yes
Holding regular briefings for analysts and institutional investors	November 15, 2016: Tokyo, 60 participants Briefer: President, Content: Explanation of second quarter business results for the fiscal year ended March 31, 2017 May 17, 2017: Tokyo, 64 participants Briefer: President, Content: Explanation of business results for the fiscal year ended March 31, 2017	Yes
Posting a web page of IR materials	Business results, timely disclosure materials other than business results, materials from the results briefing, shareholders' communications, etc.	

	URL: http://www.t-gaia.co.jp/ir/library/index.html	
Establishing a department (and person in charge) regarding IR	Department in charge of IR: Corporate Planning & Strategy Dept., Public & Investor Relations Team Person responsible for IR contact office: Director of Corporate Planning & Strategy Dept.	

3. Status of activities regarding respect for stakeholders' points of view

	Supplementary explanation
Provisions on respect for stakeholders' points of view from internal regulations	T-Gaia Corporation has laid out its provisions on the respect for stakeholders' points of view in the Corporate Philosophy established in April 2014.
Implementation of activities for environmental preservation, corporate social responsibility (CSR), etc.	<p>T-Gaia Corporation promotes CSR activities through its aim to realize "sustainable growth between company and society" with a view towards a range of stakeholders (customers, shareholders, employees, and society).</p> <p>The Company has established a CSR Promotion Conference, through which it holds regular discussions on the status of policies and programs for its CSR activities. In addition, it issues CSR communications and conducts awareness activities.</p> <p>Specific activities include the following: support for Eye Mate Inc., a training organization for seeing-eye dogs; aid for food expenses for children in developing countries; providing support as an official JPSA (Japan Professional Sports Association) supporter for promoting sports for people with physical disabilities and development programs for the athletes; and cleanup activities for the local area near the headquarters.</p> <p>The Company also contributes donations when a large-scale disaster occurs and gets involved in volunteer activities in the afflicted areas.</p>
Formulating policies regarding provision of information to stakeholders	In its Disclosure Policy, the Company has specified provisions for the proactive and impartial supply of information to stakeholders.
Other matters	<p><Efforts to promote diversity></p> <p>The diversity of human resources, characterized by a variety of different viewpoints, sensitivities, and ways of looking at things at large, is considered an essential condition for the future growth of the Company. In light of this, in 2014 the Company established a unit dedicated to the advancement of diversity and has since been making proactive efforts at diversity promotion with a view to the effective deployment of variously differentiated human resources.</p> <p>[Promotion of female employees' job activity]</p> <p>The Company has been aiming to create organizations that enable employees to pursue job activities with a view to career development. In particular, efforts are being made to create environments and promote training and job activities where female staff members, who account for 70% of sales staff, can demonstrate their capabilities to the full.</p> <p>In order to reconcile child care and work requirements, the Company has been widening its maternity and child care support regulations and has taken steps to allow female staff members to pursue their job duties with confidence. Moreover, in order to develop among female staff stratum of leaders and leader candidates, the Company has been implementing training programs for producing female managers and provides challenging opportunities with a view to enabling female staff members to fulfill job responsibilities in different fields. The Company expects to reach its goal of raising the percentage of female managers to 10% by the middle of fiscal year 2017.</p> <p>The percentages of female directors and female managers of the Company (parent) as of June 21, 2017, are shown below.</p> <p>Percentage of female directors: 7.7% Percentage of female managers: 9.04%</p> <p>[Efforts to promote hiring and job activities of staff members with disabilities]</p> <p>The Company has been making proactive efforts to create and maintain workplace environments where staff members with various types of disabilities can apply their respective capabilities and aptitudes so as to enable long-term employment. Currently, staff members with disabilities work as wellness staff at the massage rooms for employees and in sales-related and clerical functions at head offices, branch offices, and sub-branches, including in mobile phone shops, marking the front-line of sales.</p> <p>Since the establishment of the Company in 2008, the percentage of staff members with disabilities has maintained a steady level at above 2%.</p> <p><Promotion of work place reform></p> <p>Nationwide mobile phone shops and offices of the Company have implemented Variable Work Time System. Under this system, the numbers of staff present at stores and offices and work hours vary in accordance with busy and slack work time zones, etc., enabling staff to enhance their private time before and after work hours.</p> <p>The Variable Work Time System has been introduced at multiple stores and offices in different regions and under different managers. It has been positively noted for the results it</p>

delivers, such that the Company in March 2017 collected the first prize in the "Reduction of Working Hour Category" of the 2nd White-Company Award.*

* The White-Company Award is sponsored by the Japan White Spread General Incorporated Foundation as a system conferring recognition and honors as "White Company" on companies of excellence desirable as a next-generation model.

IV Matters regarding internal control systems

1. Basic approach to internal control systems and its status

1. Basic approach to internal control systems

In order to achieve the four objectives of the internal control system—1) improving management effectiveness and efficiency, 2) ensuring the reliability of financial reporting, 3) compliance with laws and regulations, and 4) preserving assets—the Company recognizes the system as a framework for promoting the appropriateness of corporate activities by enabling the effective functioning of company-wide processes (internal controls).

2. Status regarding establishment of internal control systems

- (1) System for ensuring that the performance of work duties by directors and employees conforms to laws and regulations and the Articles of Incorporation
 - Observation of laws and regulations and preservation of ethics (compliance) is positioned as one of the most critical issues in the performance of business operations. The Company has therefore established a set of Compliance Regulations and asks that all officers and employees comply with these regulations.
 - With the intent of establishing a compliance system and maintaining and improving its effectiveness, the Company has established a Chief Compliance Officer (committee chairperson) and, in accordance with the Compliance Committee Regulations, convenes as needed a Compliance Committee composed of the president and supervisory officers. Underneath this committee, it has established a Compliance Promotion Department as an executing organization.
 - In order to thoroughly disseminate and improve compliance awareness, the Company has established and enhances compliance training covering officers and employees.
 - Multiple reporting and consultation channels for compliance have been established, both within and outside the Company, including external legal counsel and third-party organizations.
 - Those who violate compliance policy will be dealt with strictly including disciplinary action based on employment regulations.
 - Mutual monitoring is conducted daily on the status of compliance with laws and regulations and with company regulations and rules, and periodic audits are performed. The effects with respect to company management are then evaluated and analyzed.
- (2) System regarding the retention and management of information for the execution of work duties by directors
 - Regarding the retention and management of information related to the execution of work duties by directors, the minutes of the Board of Directors meetings, proposal applications and other documents related to the execution of work duties by directors, and other information (including electronic records) are retained and managed in accordance with Company regulations such as the Document Retention Control Regulations and Regulations for the Management of Information Systems. As necessary, the status of retention and management is verified and regulations revised.
 - The directors and corporate auditors shall be able to review these documents promptly based on these application for request.
- (3) Regulations and other structures regarding managing the risk of loss
 - For the purpose of managing various risks of loss ("risks") related to the business activity of the Group and of preventing the manifestation of these risks, risk information is collected and analyzed to discover predictors at an early stage, Management Regulations have been established so that appropriate measures can be implemented quickly when risks arise and a supervisory department responsible has been set in response to the types of risk. In addition, the Risk Management Committee convenes regularly and seeks to construct, maintain, and improve the risk management system.
 - The head of each organization in the Group, conducts its business within the scope of authority granted based on the Work Authority Regulations, and manages risks in conjunction with this conduct of business.
 - For the case in which business is to be conducted in excess of granted authority, the procedures for proposal application and reporting, which are set forth in the Work Authority Regulations, are carried out and risks are managed for the performance of the corresponding authorized business.
 - In compliance with the Internal Auditing Regulations, the Internal Audit Department regularly audits whether or not work is performed lawfully and properly in compliance with laws and regulations, the Articles of Incorporation, and various regulations at the headquarters, regional headquarters, divisions, and branches of the Company. The Internal Audit Division reports its audit results to the President.
- (4) System for ensuring that the execution of work duties by directors is carried out efficiently
 - In addition to deciding upon important matters, the Board of Directors monitors whether the execution of directors' work duties is effective and appropriate. The number of directors shall be within the limits in which matters can be discussed exhaustively at the Board of Directors meeting and in which decisions can be made promptly and reasonably.
 - A management conference has been established at which important policies regarding overall company management and important matters related to management for discussion and reporting at the Board of Directors meeting are covered in mutual consultations. Through mutual exchange of information among members of the Management Conference, the Company seeks to facilitate communications on business execution.
 - Executive officer system: The Company seeks to strengthen the Board of Directors' function and to have prompt execution of operations by separating the management functions of "work execution" and "decision-making and supervision of work execution." Executive officers are selected by the Board of Directors and execute the duties set forth by the Board of Directors.
 - The units of work execution are set as the headquarters, regional headquarters, and departments and branches. Business is conducted with a sense of speed that adheres closely to the work locale by granting a certain amount of authority to the heads of these units based on the Work Authority Regulations. The units of profit are also set as the headquarters, regional headquarters, and departments and branches. This practice ensures the transparency of the business operation status at the headquarters and regional headquarters.

- Proposal application and reporting system: To ensure prompt execution of work duties, the transfer of authority is performed after authorities and responsibilities have been clearly stated in accordance with the regulations for division of work and work authority. For matters that exceed authority, the rendering of a final decision to be set forth in regulations is based on an investigation from the point of view of the areas of expertise of the Administrative Division. The Company seeks to construct, maintain and improve a system in which execution of directors' work duties is proper and efficient by reviewing, as needed, the regulations, proposal application and reporting procedures, etc.
- (5) System for ensuring the appropriateness of work in the corporate group composed of a joint stock company, its parent company, and its subsidiaries
- Based on the Management Regulations for Associated Companies which are founded on the principle of autonomous management of subsidiaries, the supervisory department responsible is the headquarters, regional headquarters, department or branch in charge of business which has the deepest relationship to the business of the subsidiary. An appropriate consolidated business management system has been constructed and maintained for grasping the business status of the subsidiary, through regular reporting of operation results, financial information, and other important information. In addition, reporting is requested on matters based on the Management Regulations for Associated Companies and on audit results based on the Internal Audit Regulations. Also, the equity participants make an appropriate manifestation of intention to the management team of the subsidiary.
 - The compliance system is constructed and operated by the Group corporation overall, and a system for receiving advice from an outside law office is established as needed. Also, training related to legal compliance is provided once a year to the officers and employees of the Group as an effort to foster compliance awareness.
 - Work authority and the chain-of-command structure are set forth in the Management Regulations for Associated Companies, and a system is constructed in conformance with these.
- (6) Items related to corresponding employees for the case in which corporate auditors have requested that employees be placed in order to assist in this work
- If a corporate auditor requests that a staff member assist in the work of a corporate auditor, then an application request shall be made to place an employee with the required expertise and ability to assist in audit work for the representative director.
- (7) Matters related to the independence from the Board of Directors of the employee in the previous item
- The reporting line authority for an employee placed in accordance with the previous item is from the corporate auditor and shall not be a reporting line from a director. Also, in order to preserve the independence and effectiveness of employees placed in accordance with the previous item, the personnel appraisal, personnel transfer, discipline, etc., of the corresponding employee is determined after the representative director obtains the approval of the full-time corporate auditor.
- (8) System for directors and employees to report to the corporate auditor and system for other reports to the corporate auditor
- A corporate auditor can attend meetings of the Board of Directors, Management Conference, Board of Executive Officers, and other important meetings.
 - A corporate auditor can review major related documents and request submissions of corresponding materials.
 - A corporate auditor can at any time and as needed receive reports from officers and employees of the Group.
 - A corporate auditor may audit the status of a subsidiary's management through site visits to the subsidiary and through ordinary connections to the corporate auditors of the subsidiary.
 - The directors and the officers and employees of the Group, or those who receive reports from them, make reports on the following conditions to the Board of Auditors or corporate auditors designated by the Board of Auditors (special corporate auditors).
 1. Notable damage to the company or significant compliance violations that occurs or are likely to occur
 2. Matters for which a special director has requested a report or other matters deemed necessary for audits (such as events that occur after the audit)
 3. The Compliance Reports and Consultation Regulations stipulates that the officers and employees of the Group or those who receive reports from them can issue "whistle-blowing reports" directly to a corporate auditor and makes clear that the prohibition of job dismissal or other detrimental actions based on the very matter of the whistle-blowing.
- (9) System for ensuring that other audits by the corporate auditor are conducted effectively
- The directors are fully familiar with the corporate auditors' audit standards that clarify the work responsibilities of the corporate auditor and fully recognize the importance of the corporate auditors' audits. We have also put in place an audit environment.
 - The corporate auditors maintain close ties to the Internal Audit Department, receive timely reports on internal audit plans from the Internal Audit Department and their results, and is instrumental to efficient audits.
 - Through the holding of regular meetings with the accounting auditors and through their on-site presence at end-of-period audits, the corporate auditors strive to grasp and exchange information on the audit activities of the accounting auditors and put great effort into promoting improvements in the efficiency and quality of the accounting activities.
- (10) Matters regarding the policy for processing expenses or debt incurred in the execution of the corporate auditor work duties
- When a corporate auditor requests prepayment or reimbursement of expenses incurred in the execution of work duties, the corresponding expenses or debts will be processed except for the case in which the expenses are recognized as not necessary for the corresponding execution of corporate auditor work duties.

2. Basic approach and status towards the elimination of anti-social forces

The Company, as its basic approach towards the elimination of anti-social forces, has clearly stated and proclaimed to all employees in its Compliance Regulations that "if improper demands are received from corporate racketeers (*sokaiya*) and anti-social forces, then the

Company will take resolute action without giving in to an easy monetary solution" and "the Company will not do business with anti-social forces or any business partner having a relationship with anti-social forces." In addition, on a nationwide basis we conduct training for those in responsible positions for the prevention of improper demands and assure that this knowledge is widespread.

As specific measures, the Company has specified "Guidelines regarding procedures for prior investigations of anti-social forces" as procedures for stopping any involvement with anti-social forces before it develops and is eliminating anti-social forces by conducting preliminary reviews at the start of transactions. In addition, the Company has become a member of the Tokubouren (an association within the police department to prevent violence) and has constructed a system linked to law enforcement. The Company works hard to collect information on this issue through attendance in this association.

1. Introduction of takeover defenses

Have takeover defenses been introduced?	No
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Supplementary explanation regarding corresponding item

2. Matters regarding other corporate governance systems

The status of internal system regarding timely disclosure of company information is as follows.

1. Basic approach regarding timely disclosure

The Company places high importance on its accountability to a range of stakeholders and aims to enhance corporate value through its programs for maintaining and operating an appropriate governance and compliance framework.

Also, in accordance with the Financial Instruments and Exchange Act (hereinafter, "the FIEA"), the "rules on timely disclosure of company information by issuers of listed securities" (hereinafter, "the timely disclosure rules") stipulated by the Tokyo Stock Exchange and with the Company's disclosure policy, the Company discloses important and useful company information to all stakeholders with accuracy and fairness.

2. Company system regarding timely disclosure

The Company has established an Information Disclosure Committee from the viewpoint of appropriately realizing information disclosure based on the FIEA and the timely disclosure rules.

A system is in place for the management by departments associated with the Information Disclosure Committee (Corporate Planning Division, Budget and Finance Division, Legal Division, etc.) of any cases of important company information, regardless of whether they are facts on company decisions, occurrences of material facts, or business results.

Decisions are rendered by departments including those associated with the Information Disclosure Committee on whether or not information corresponds to information for timely disclosure in accordance with the timely disclosure rules, and the Information Disclosure Committee then examines the content for public release and verifies its accuracy.

The collection and management of important Company information is structured as follows.

1. Facts on company decisions

In accordance with the provisions of the Board of Directors Regulations, Management Conference Regulations, and Work Authority Regulations, matters that correspond to facts on company decisions are resolved by the Board of Directors based on consultation with the Management Conference.

Accordingly, in this structure, the Corporate Planning Division, which is the executive office for important meetings such as those of the Board of Directors, is the body that develops a firm understanding of all important matters and manages these matters.

2. Occurrence of material facts

Officers and employees who are at the stage where they have comprehended that material facts have occurred or are likely to occur, will promptly report the matter to the officer in charge of the corporate division responsible for management of internal information based on the Regulations for Management of Insider Trading.

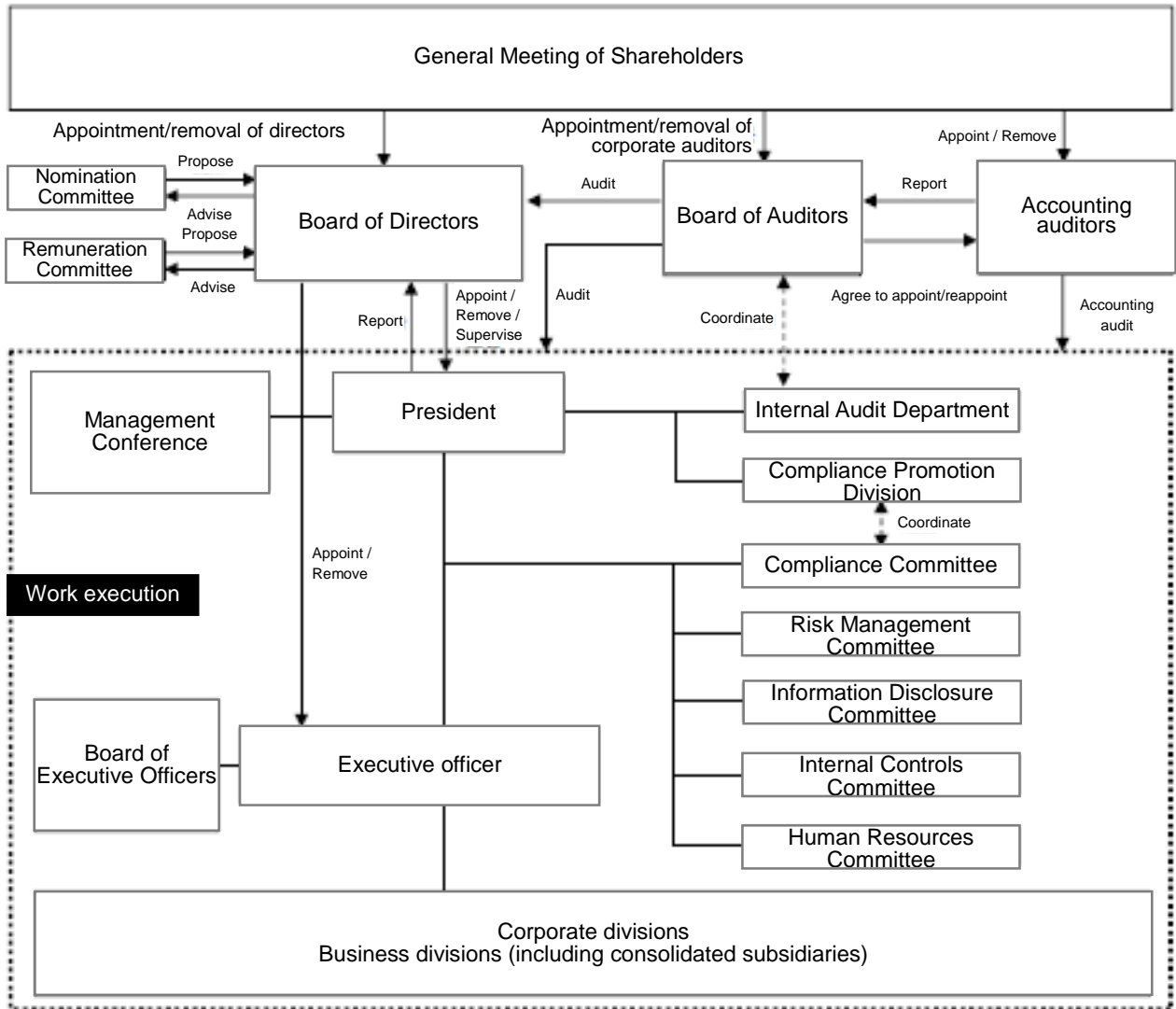
The Legal Division, which is the department for management of internal information, manages and supervises the occurrence of material facts as an effort to share information with the Corporate Planning Division.

3. Business results

With regard to business results, the Corporate Accounting & Finance Dept. prepares financial statements while at the same time undergoing audits by the accounting auditors.

In addition, in accordance with the FIEA and the Regulations regarding Evaluation of Internal Control over Financial Reporting which are specified by the Company, the Company from a company-wide perspective has constructed a framework in which proper financial reporting can be implemented by establishing an Internal Controls Committee to put in place and supervise an internal control system.

[Schematic Diagram]



[Timely Disclosure Process]

