

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 "improving corporate value" and then raising effectiveness through daily activities.

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

The Company implements all principles of the corporate governance code.

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

##### [Principle 1-4 Strategic Stockholdings]

The Company operates the Mobile Telecommunications Business, Enterprise Solutions Business, Payment Service Business, and Other Business segments. The Company holds other companies shares when it deems necessary to establish, maintain, and strengthen relationships with business partners in each segment.

It considers a range of issues, such as the scale of transactions with the company, further growth of the company and profitability, for continuance and economic rationality of stockholdings. Because of the reduction of the transaction between the companies and others, and the Company loses the rationality of stockholdings, it will sell the shares. As for exercising of voting right, the Company carefully considers each proposal, conducts a comprehensive deliberation on such as suitability of the Company's policy of stockholdings, contribution to enhance its corporate value, the governance of the company, and contribution to enhance the Company's corporate value, etc. and determines whether or not to approve each proposal.

##### [Principal 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. Furthermore, examinations check for transactions conducted between the Company or consolidated subsidiaries and corporate officers or the parent company, and for transactions that harm the common interests of the Company and its shareholders

##### [Principle 2-6 – Exercise of the Functions as Asset Owner of the Corporate Pension Plan]

Given that the Company sponsors a defined contribution pension plan, the Company is not directly involved in the pension plan management as an asset owner. However, the Company supports employees in their pension plan asset management through life plan workshop, information meetings, and mail magazine disseminations, etc.

##### [Principle 3-1 Full Disclosure]

- (i) The corporate philosophy and medium-term goals of the Company are made public and are available for viewing on the website of the Company.  
Corporate Philosophy (<https://www.t-gaia.co.jp/english/ir/vision.html>)  
Medium-term Goals (<https://www.t-gaia.co.jp/english/ir/plan.html>)
- (ii) The Basic Policy on Corporate Governance of the Company is available for viewing on the website of the Company.  
Basic Policy on Corporate Governance (<https://www.t-gaia.co.jp/english/ir/governance.html>)
- (iii) Policies and procedures for the Board of Directors to determine the remunerations of directors and executive officers are made public and are available for viewing on the website of the Company in the "Basic Policy on Corporate Governance," "Chapter 2. Corporate governance system" and in this report in "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 [Directors' remuneration]."
- (iv) Policies and procedures for the Board of Directors to appoint and dismiss management members and or to nominate candidates for positions as directors and corporate auditors are made public and available for viewing on the website of the Company in the "Basic Policy on Corporate Governance," "Chapter 2. Corporate governance system," and in this report in "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 [Directors]."
- (v) The reasons underlying nominations of candidates for positions as directors and corporate auditors are made public and available for viewing in the "Notice of Convocation of the Ordinary General Meeting of Shareholders," "Reference Documents for the Annual

General Meeting of Shareholders." Moreover, reasons underlying nominations of candidates for positions as outside directors and outside corporate auditors are made public and are available for viewing also in "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 [Directors] and [Corporate auditors]."

[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 consolidated subsidiaries 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 4-9 Independence Standards and Qualifications for Independent Outside 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 outside 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 (<https://www.t-gaia.co.jp/english/ir/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 (<https://www.t-gaia.co.jp/english/ir/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 its function.

In the fiscal year ended March 31, 2019, 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. In addition, the Company provides training programs for directors and corporate auditors to acquire the knowledge necessary for the execution of their duties. Furthermore, in order to facilitate on the part of outside directors and corporate auditors a deeper understanding of the operations and current issues at the Company and at the Company's consolidated subsidiaries and equity method affiliates (in the following collectively the "Group"), briefing sessions regarding operations and current issues as well as on-site inspections of stores, etc., are held from time to time.

[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.

To accommodate the legal reforms associated with the introduction of the Fair Disclosure Rules of 2018, the Company has established "Fair Disclosure Regulations" as internal regulations.

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 (<https://www.t-gaia.co.jp/english/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	41.89
Hikari Tsushin K.K.	5,516,500	9.90
UH Partners 2, Inc.	5,516,500	9.90
UH Partners 3, Inc.	2,504,300	4.49

The Master Trust Bank of Japan, Ltd.	1,376,100	2.47
T-Gaia Employee Shareholding Association	828,400	1.49
Custody Bank of Japan, Ltd. (Trust account)	732,700	1.31
MSIP CLIENT SECURITIES	695,975	1.25
THE BANK OF NEW YORK MELLON 140044	601,769	1.08
J.P. MORGAN BANK LUXEMBOURG S.A. 1300000	513,506	0.92

Controlling Shareholders (except for Parent Company)	None
Parent Company	Sumitomo Corporation Company (Listed on the Tokyo, Nagoya and Fukuoka Stock Exchanges), Stock code: 8053

Supplementary explanation 

The percentages in the above table exclude treasury stock.

### 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	Less than 10

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

With regard to transactions with the parent company, controlling shareholders (excluding the parent company), their relatives, and companies, etc., for which they own a majority of the voting rights on their own account, and subsidiaries of such companies, etc., the Company determines prices, etc., taking into consideration market prices, cost ratios, etc., in the same manner as in the case of ordinary transactions with business partners without capital relationships, and obtains appropriate approval procedures in accordance with the relevant internal rules. In the case of transactions judged to be particularly important, it will be discussed in the Management Conference and/or the Board of Directors in accordance with the relevant internal rules that whether to make the transaction or not. In these ways the Company monitors and inspects the transaction for protecting the benefit of the Company and minority shareholders. In addition, transactions with the parent company are audited as an important audit item by the Board of Auditors.

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

Although the percentage of voting rights held by Sumitomo Corporation in the Company is less than 50%, Sumitomo Corporation is by the standards of effective control the parent company of T-Gaia Corporation given that the Company's Board of Directors consists in the majority of appointees from Sumitomo Corporation. The Company has a personal relationship and a 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.

The views and policies on group management of Sumitomo Corporation is as follows, and the Company believes that will not impair minority shareholders' interests. In addition, the Company has increased the number of Independent Outside Directors from this fiscal year and has taken measures to enhance its monitoring capabilities and independence from the parent company, thereby improving the method for protecting minority shareholders. In the financial statement of Sumitomo Corporation, adapting International Financial Reporting Standards (IFRS) as specified company complying with designated international accounting standards, the Company is defined as an "equity method affiliate" and not as a "subsidiary". Although, in the same manner, the Company is not defined as a "subsidiary" in the Corporate Governance Report of Sumitomo Corporation, it adopts the policy to contribute the Company's sustainable growth and development to maximize its corporate value by sharing the Group's business know-how, platforms and seconded personnel.

#### 【Views and policies on group management of Sumitomo Corporation.】

At the Sumitomo Corporation Group, six business units and regional organizations in Japan and abroad collaborate to develop business activities in a wide range of industries across the globe. The group is an enterprise with over 900 subsidiaries and affiliates. For this enterprise, the Company has set out the Sumitomo Corporation Group Management Principles and Activity Guidelines as a means of sharing a set of

values to be respected throughout the Group. The goal of our group governance is to respect their autonomy and entrust their management to the top management of each company. Meanwhile, in order to ensure that the Company can express opinions as a shareholder, it has a policy to establish business management system in accordance with the size, nature and growth stage of each group companies. Moreover, the Company has established a system with the group companies to share strategies and ensure the required business quality through dialogues. The Company thus aims for the sustainable growth and development of the Company and the group companies, and to maximize the corporate value of the Group.

## 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	President
Number of directors	9
Status of appointment of external directors	Appointed
Number of outside directors	4
Number of outside directors specified as an independent director/auditor	4

#### Relationship with company (1)

Name	Attributes	Relationship with company (*)											
		a	b	c	d	e	f	g	h	i	j	k	
Toshiya Asaba	Appointed from another company									△			
Kyoko Deguchi	Appointed from another company									△			
Junichi Kamata	Appointed from another company												
Toshio Morohoshi	Appointed from another company									△			

\* 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 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 outside officers

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

k Other

Relationship with company (2)

Name	Independent director/auditor	Supplementary explanation regarding conforming item	Reason for appointment
Toshiya Asaba	○	<p>Toshiya Asaba was a person who executed business for Internet Initiative Japan Inc., a business partner of the Company until June 2009. However, more than ten years have passed since he resigned from that position and the amount of the business between the Company and the Internet Initiative Japan Inc. is insignificant at less than 0.1% of both the Internet Initiative Japan Inc.'s consolidated total revenues and the Company's consolidated net sales, so he is deemed to be adequately independent.</p>	<p>Toshiya Asaba has over many years been involved in Japan's launch of the Internet and the creation of Internet services, and has gained extensive knowledge and rich experience as IT specialist and business manager in positions such as CTO and representative director of IT related companies. Furthermore, given his personal integrity combined with superior insight and capability in management matters, Toshiya Asaba has been found fully qualified to be invited to serve as outside director of the Company, with a view to supporting from multiple perspectives the appropriate decision-making of the Board of Directors and the strengthening supervisory functions. 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 was a person who executed business for Bellsystem24 Inc., a business partner of the Company, until January 2014. However, more than six years have passed since she resigned from that position and the amount of business between the Company and Bellsystem24 Inc. is insignificant at less than 0.2% of both Bellsystem24 Inc.'s consolidated revenue and the Company's consolidated net sales, so she is deemed to be adequately independent.</p> <p>Kyoko Deguchi was an Outside Director of Cookpad Inc., a business partner of the Company, until March 2018. However, more than two years have passed since she resigned from that position and the amount of business between the Company and Cookpad Inc. is insignificant at less than 0.3% of both Cookpad Inc.'s consolidated sales revenue and the Company's consolidated net sales, so she is deemed to be adequately independent.</p>	<p>Kyoko Deguchi has over many years been involved in the financial operations of a wide range of industrial corporations, and has gained extensive knowledge and rich experience as a finance specialist and business manager in positions as CFO and representative director, etc. Furthermore, given her personal integrity combined with superior insight and capability in management matters, Kyoko Deguchi has been found fully qualified to be invited to serve as outside director of the Company with a view to supporting from multiple perspectives the appropriate decision-making of the Board of Directors and the strengthening supervisory functions. 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>
Junichi Kamata	○	<p>-----</p>	<p>Junichi Kamata has over many years been at the center of corporate management at Hitachi Metals in positions as general manager of human resources &amp; general administration division, general manager of the corporate management planning division, and as member of the Board of Directors, and has gained extensive knowledge and rich experience as a corporate management specialist and business manager. Furthermore, given his personal integrity combined with superior insight and capability in management matters, Junichi Kamata has been found fully qualified to be invited to serve as outside director of the Company with a view to supporting from multiple perspectives the appropriate decision-making of the Board of Directors and the strengthening supervisory functions. Junichi Kamata 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>

Toshio Morohoshi	○	<p>Toshio Morohoshi was a person who executed business for Fujitsu Limited, a business partner of the Company, until June 2007. However, more than 12 years have passed since he resigned from that position and the amount of business between the Company and Fujitsu Limited is insignificant at less than 0.1% of both Fujitsu Limited's consolidated revenue and the Company's consolidated net sales, so he is deemed to be adequately independent. Toshio Morohoshi was a person who executed business for NCR Japan, Ltd., a business partner of the Company, until February 2015. However, more than five years have passed since he resigned from that position and the amount of business between the Company and NCR Japan, Ltd. is insignificant at less than 0.2% of both NCR Japan, Ltd.'s revenue and Company's consolidated net sales, so he is deemed to be adequately independent.</p>	<p>Toshio Morohoshi has wide-ranging knowledge and experience as an IT business specialist and as a manager, involved in promoting the IT business and corporate management for many years. At Fujitsu Limited he was involved at the center of management as Managing Executive Officer following positions as President of overseas subsidiaries, etc. with much of this time spent as Representative Director and President in IT companies. Furthermore, because he has a sincere character and a high level of both insight and skill in corporate management, in order for the Board of the Directors of the Company to do decision-making properly from various perspectives and further enhance its supervisory function, the Company regards Toshio Morohoshi to be suitable as an Outside Director of the Company and has nominated him as a candidate for Outside Director.</p>
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Voluntary Establishment of a Committee Corresponding to a Nomination Committee or Remuneration Committee      Established

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 outside directors	No. of outside experts	No. of other	Chairperson (president)
Committee Corresponding to a Nomination Committee	Nomination Advisory Committee	6	0	2	4	0	0	Director (internal)
Committee Corresponding to a Remuneration Committee	Remuneration Advisory Committee	6	0	2	4	0	0	Director (internal)

Supplementary explanation Updated

In order to enhance management transparency, the Company maintains the Nomination Advisory Committee and Remuneration Advisory Committee as advisory bodies to the Board of Directors.

•The Nomination Advisory Committee and the Remuneration Advisory Committee consist of;

- (i) outside directors
  - (ii) representative director and president
  - (iii) directors nominated by the representative director and president
- Appointment of members of each committee is subject to the Board of Directors resolution and outside directors hold majority in each committee.

The purpose of the Nomination Advisory 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 managing officer, or higher. The purpose of the Remuneration Advisory Committee is to submit proposals to the board on the remuneration of directors and executive officers.

Meetings of the Nomination Advisory Committee are held prior to convocations of Board of Directors' Meetings that resolve on appointments and dismissals of executive officers at the level of director and senior managing officer, or higher. Additional meetings of the Nomination Advisory Committee are held as needed when issues for deliberation are raised by committee members.

Meetings of the Remuneration Advisory Committee are held prior to convocations of the Board of Directors' Meetings that resolve on the remuneration amounts, etc., of directors or executive officers. Additional meetings of the Remuneration Advisory Committee are held as needed when issues for deliberation are raised by committee members.

The Nomination Advisory Committee and the Compensation Advisory Committee consist of 6 members : Nobutaka Kanaji (president and representative director, chief executive officer), Katsuya Kashiki (director), Toshiya Asaba (outside director), Kyoko Deguchi (outside director), Junichi Kamata (outside director), and Toshio Morohoshi (outside director). The Chairman of each committee is Nobutaka Kanaji. As of January 4, 2021, every member attended to all of the Committee.

[Corporate auditors]

Established of Board of Auditors      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

Accounting auditors and corporate auditors have established frameworks as needed for coordinated interaction such as exchanging views and information on audit plans, audit execution status, and accounting audit results, etc.

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 no full-time staff is deployed with corporate auditors and the Board of Auditors, corporate auditors and the Internal Audit Department closely cooperate in order to enhance the efficiency of audits by exchanging opinions and information as needed concerning the Internal Audit Department's audit plans the status of audit implementation, etc.

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

#### Relationship with company (1)

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													

\* 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 outside officers
- l Executive person (actual person only) of a party for whom a listed company makes a contribution
- m Other




Relationship with company (2)

Name	Independent director/auditor	Supplementary explanation regarding conforming item	Reason for appointment
Toshiro Kaba	○	-----	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 outside corporate auditor of the Company performed appropriate audits. Toshiro Kaba has been invited as an outside 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. 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.
Tetsuo Kitagawa	○	-----	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 outside 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. Tetsuo 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.

[Independent directors/auditors]

Number of independent directors/auditors	6
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Other Independent Directors/Auditors

[Independence Standards for Outside Directors] 

If none of the following conditions are met, outside directors are judged qualifies as independent.

- ①. The person is an executive person at the Group or has been such an executive person in the past.
- ②. The person is a director, executive officer, corporate executive officer, or manager or other employee at a parent or sister company of the Company; or within the last ten years, the person has been a director, 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 the transaction counterparty's total annual net sales in the most recent business 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 the Group's consolidated total annual net sales in the most recent business year.)
- ⑤. 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 Group exceed 2% of annual revenues) or has matched this description in the last three years.
- ⑥. 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.) either currently or in the last three years.
- 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 income) either currently or in 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, 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, 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. In addition to the previous items, the person has a special reason that he or she cannot fulfill the work duties as an outside executive officer holding independence, including such reasons as any conflict of interest that may arise with the Group.

## [Independence Standards for Outside Corporate Auditors] Updated

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 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 the transaction counterparty's total annual net sales in the most recent business 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 the Group's consolidated total annual net sales in the most recent business year.)
- ⑤. 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 Group exceed 2% of annual revenues) or has matched this description in the last three years.
- ⑥. 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.) either currently or in the last three years.
- 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 income) either currently or in 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. In addition to the previous items, the person has a special reason that he or she cannot fulfill the work duties as an outside executive officer holding independence, including such reasons as any conflict of interest that may arise with the Group.

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

## [Incentives]

Implementation status of measures regarding incentive grants to directors

Introduction of performance linked remuneration

Supplementary explanation regarding corresponding item Updated

The amount of business performance-linked remuneration element is determined based on the amount of net income attributable to the parent company's shareholders and the degree of contribution of each director to the business performance, etc. For the fiscal year ended March 31, 2020, the Target of business performance-linked remuneration element was 12,400 million yen in net income attributable to owners of the parent, which was 12,628 million yen. The allocation was based on the degree of achievement of performance. As in the case of the target of business performance-linked remuneration element, one of the criteria for the payment of transfer restricted stock remuneration is the degree of achievement of the target for net income attributable to the parent company's shareholders. In addition to this, the Company grants the Company's common stock to directors' remuneration that meets certain requirements.

Parties eligible for stock option grants

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

The total amount of remuneration for directors of the Company for the fiscal year ended March 31, 2020, is as follows.

Remuneration paid to directors - 135 million yen

A Policy for Determining Remuneration and Calculation Method	Established
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### Disclosure of Policy for Determining Remuneration Amount and Calculation

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

The Company maintains a Remuneration Advisory Committee as an advisory body to the Board of Directors. Information regarding the Remuneration Advisory Committee is available in this report in section "II Status of the corporate management organization regarding decision-making, execution, and monitoring of company management and other corporate governance systems," sub-section "1. Matters regarding institutional composition and organization management [Directors]."

Upon receipt of the report from the Remuneration Advisory Committee, the Company determines the remunerations of directors within the descriptions and amounts approved by the General Meeting of Shareholders. Directors' remunerations, which are set at a level commensurate with the Company's business results, etc., consist of a fixed remuneration based on the duties of individual positions and a business performance linked remuneration based on the extent of each director's contributions to the Company's business results of the previous fiscal year. Remunerations of outside directors comprise only a fixed monthly remuneration amount.

## [Support structure for outside directors (outside corporate auditors)]

The Corporate Planning Division is in charge of the dissemination of information to the outside directors and outside 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)

### 2-1. Function for Work Execution, Audit and Monitoring

#### 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 eight members (three of whom are independent directors/auditors) including three outside 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 attendance ratios of corporate officers at Board of Directors' meetings have been 100%.

#### [Criteria for the Appointment of Directors]

In order to enable swift and appropriate decision making with a view to the sustained growth and development of the Group as well as medium and long-term enhancements of the enterprise value of the Group, qualified as candidates for the office of directors shall be the following kinds of persons who thoroughly understand our corporate philosophy comprised of the TG Vision (T-Gaia's Corporate Vision), namely "T-Gaia will propose new ways of communication to provide our customers with excitement, delight, and safety", the TG Mission, and the TG Action.

#### (a) 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.

#### (b) Outside directors

As candidates, outside 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.

#### [Criteria for the Dismissal of Directors]

A director who meets any of the following criteria shall be dismissed.

#### (a) Material breach of compliance

#### (b) Inability to continue the performance of duties due to health or other reasons

#### (c) Conduct manifestly harmful to the interests of shareholders and the enterprise value of the Group

#### (d) Evident deficiencies in the requirements of the appointment criteria

#### [Criteria for the Appointment of Chief Executive Officer]

Same criteria as directors (internal)

#### [Criteria for the Dismissal and Non-Reappointment of Chief Executive Officer]

In addition to criteria for the dismissal of directors, when officer meets the following shall be subject to dismissal and non-reappointment.

When serious damage has brought to the company's credit, performance, forthcoming potential and other equivalent due to the direct involvement of the person or to the persons' default of duties during the term of office.

② Board of Auditors and corporate auditors

Of the Company's four corporate auditors, two are outside 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. Additionally, corporate auditors sit in on important internal meetings, specifically Board of Directors' meetings, and form a framework for monitoring the decisions on management policies and the execution of the duties of directors. Corporate auditors interact as needed with the Internal Audit Department and the accounting auditor and work to strengthen internal control frameworks through the exchange of opinions and information.

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 outside corporate auditors in particular have high-level expertise and a wealth of experience in fields such as law, accounting, and corporate management.

[Criteria for the Appointment of Directors]

Candidates for 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. Candidates for the independent outside 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.

Additionally, for the purpose of engaging as a corporate division in discussions and in the aggregation of opinions on investment projects and important projects affecting operations management, an investment council has been established as an advisory body to the management conference.

④ Human Resources Committee

The Human Resources Committee holds discussions on fundamental policies concerning personnel in general, personnel policies, and other personnel related matters.

Human Resources Committee meetings are attended by the president, the head of human resources, the deputy head of human resources, and the corporate officer responsible for human resources and general administration. The Committee convenes monthly and when needed.

⑤ 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 25 executive officers appointed by the Board of Directors.

⑥ Internal Audit Department

The Company has established an Internal Audit Department (of 20 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.

The system will allow the results of internal audits to be used to prepare the 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.

⑦ 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.

Kazumasa Moriya 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 10 persons comprised of four CPAs from Deloitte Touche Tohmatsu LLC and six other persons.

2-2. Functions for Nominations and Determination of Remuneration

An overview of the Nomination Advisory Committee and the Remuneration Advisory Committee is available for reference in this report in "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 [Directors]."

2-3. 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 outside 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. Measures to Invigorate the General Meeting of Shareholders and Facilitate Exercise of Voting Rights

2.

	Supplementary explanation
Prompt Distribution of the Notice of Convocation of the General Meeting of Shareholders	In the fiscal year ended March 2020, Convocation Notice of the 29th Ordinary General Meeting of Shareholders was posted 17 days prior to the scheduled date of the meeting. The delivery was delayed due to the impact of COVID-19.
Setting the General Meeting of Shareholders to Avoid Dates on which Many Companies hold Shareholders Meetings	The Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2020, was held on June 29, 2020, avoiding the most concentrated day.
Exercise of Voting Rights by Electronic Means	Voting rights can be exercised 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	For the exercise of voting rights of institutional investors, an electronic platform is used.
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 on June 29, 2020. URL ( <a href="https://www.t-gaia.co.jp/english/ir/event/meeting.html">https://www.t-gaia.co.jp/english/ir/event/meeting.html</a> )
Other	Notice of Convocation of Ordinary General Meetings of Shareholders, Notice of Resolution of Ordinary General Meeting of Shareholders, and Shareholder Voting Results are posted on the Company's website. The Notice of Convocation of Ordinary General Meetings of Shareholders is posted on website 20 days prior to the scheduled date of the meeting. On the Company's website, the video of the Business Report is listed for 20 days prior to the meeting this year. In addition, the Company also listed the video of the 29th Ordinary General Meeting of Shareholders on its website.

#### 3. Status of investor relations activities

	Supplementary explanation	Explanation by Representative(s) of the Company
Preparation and release of a disclosure policy	The disclosure policy has been published on the Company website. URL ( <a href="https://www.t-gaia.co.jp/english/ir/disclosure.html">https://www.t-gaia.co.jp/english/ir/disclosure.html</a> )	
Holding regular briefings for individual investors	December 12, 2019: Tokyo, 209 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 6, 2019: Tokyo, 44 participants Briefer: President, Content: Explanation of second quarter business results for the fiscal year ended March 31, 2020  The regular briefing of business results for the fiscal year ended March 2020, which was scheduled in May 2020, was cancelled because of preventing the spread of COVID-19, so that a video in which President explained the results was distributed on the Company's website.	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 ( <a href="https://www.t-gaia.co.jp/english/ir/library/index.html">https://www.t-gaia.co.jp/english/ir/library/index.html</a> )	
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: Executive officer responsible for management planning	
Other	<Briefing on Financial Results for Individual Investors> September 10, 2019: Osaka, 119 participants Briefer: Executive officer responsible for management planning, Content: Introduction to T-Gaia Corporation, explanation of business strategy and	

	<p>results</p> <p>September 17, 2019: Tokyo, 65 participants  Briefing: Executive officer responsible for management planning, Content: Introduction to T-Gaia Corporation, explanation of business strategy and results</p> <p>The briefing for Individuals Investors, which was scheduled in March 2020, was cancelled because of preventing the spread of COVID-19.</p>
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#### 4. Status on Activities Regarding Paying Respects for Stakeholders' Positions

	Supplementary explanation
Stipulation of Internal Regulation on Respect for Stakeholders' Positions	The articles of the corporate philosophy of the Company were updated in fiscal year 2017 to include provisions to respect the positions of stakeholders.
Implementation of Activities for Environmental Preservation, Corporate Social Responsibility (CSR), etc.	<p>With consideration of its diverse stakeholders, the Company promotes CSR activities in order to achieve sustained corporate and societal advancements. The Company maintains a CSR Promotion Conference which regularly discusses the CSR activity policies and efforts, etc. of the Company, issues CSR Newsletters, and conducts internal information activities.</p> <p>The Company participates actively in "e-Net Caravan" informative activities drawing special attention to children's safe and secure usage of the Internet and smartphones. The Company sponsors "e-Net Caravan" lectures at locations nationwide, delivered by 465 (as of March 2020) accredited instructors whom the majority are personnel from mobile phone shops throughout Japan directly managed by the Company.</p> <p>As part of measures against global warming, some of the Company's directly operated mobile phone shops and distribution warehouse facilities have been equipped with solar panels. Moreover, in fiscal year 2018, renewable energy power business operations begun by the Company's subsidiary TG Power Inc., renewable energy power operations went on-stream using available roof surfaces centering on mobile phone shops all over Japan.</p> <p>● Other specific efforts include the following:</p> <ul style="list-style-type: none"> <li>• Support for the Eye Mate Inc. (guide dog training project), Japan Guide Dog Association</li> <li>• Lunch fee aid for children in developing countries</li> <li>• As a JPSA Official Supporter, support for promoting disabled persons' sports and activities for the advancements of para-athletes</li> <li>• As a "Paralym Art Official Partner," support for disabled persons' art promotion</li> <li>• Aid payments in case of large-scale natural disaster and volunteer activities in disaster areas</li> <li>• Clean-up activities, etc., around the Company headquarters</li> </ul>
Formulating policies regarding provision of information to stakeholders	The Company has established "Disclosure Policy" and "Fair Disclosure Regulations" in which proactive and fair information provision to stakeholders is prescribed.
Other	<p>&lt;Efforts to Promote Diversity &amp; Inclusion&gt;</p> <p>The Company acknowledges the diversity of human resources, characterized by a variety of different viewpoints, sensitivities, and ways of looking at things at large, is an essential factor 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 to promote and to deploy diversified 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 60% 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, for Career Design etc., and provides challenging opportunities with a view to enabling female staff members to fulfill job responsibilities in different fields. As a result of these efforts, in July 2017 the Company reached its 10-percent target for female managers, attaining the top ranking "L-Star" designation as a company of excellence in fulfilling the standard set by the "Act on the Promotion of Women's Participation and Advancement in the Workplace." Additionally, in April 2020, the Company appointed its second female executive officer.</p> <p>[Active Employment and Promotion of Persons with Disabilities]</p> <p>The Company is actively working to improve the working environment in which people with various disabilities can work for a long period of time by making the most of their abilities and aptitudes. Currently, we are serving as health keepers in massage rooms for employees, as well as sales and administrative positions at the head office, regional head quarters and branch offices. Since the establishment of the T-Gaia in 2008, the employment rate for persons with disabilities has consistently exceeded the legally mandated rate, reaching 2.62% (legally mandated rate of</p>



2.2%) as of the end of March 2020.

<T-Gaia's Strategy for Promoting Diversity & Inclusion>

In order to "respect our employees' diversity to foster the best teamwork" which is stated in its corporate philosophy "TG Action – T-Gaia's Code of Conduct," T-Gaia positions the promotion of diversity & inclusion as an important management strategy, which includes promotion of women's empowerment. Through this, T-Gaia is actively taking initiatives.

○T-Gaia will not judge people by age, gender, nationality, handicap, sexual orientation, gender identity, work style, and other factors, and will respect people with different opinions and senses of values, make the most of each individual's ability, and create innovation.

○T-Gaia will foster mutual support, let each employee demonstrate their strengths for actively taking on challenges, and maximize the company-wide performance as a unified team.

○T-Gaia will build a rewarding workplace environment, in which all employees with various backgrounds and diverse working styles can play an active role while achieving a work-life balance.

<T-Gaia Health Declaration>

To follow the Company's corporate philosophy, which includes the statement, "We pledge to care for our employees and their families to ensure that everyone finds joy in their work," in October 2018 the T-Gaia Health Declaration was devised, based on the acknowledgment of the importance of proactive support to the employees' efforts on maintenance and improvement on their health. In addition to promoting health management, the Company proactively implements various measures to encourage diversity at work place and reduce overtime work.

<Health and Productivity Management Outstanding Organizations 2020 - White 500>

In February 2020, the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi conferred upon the Company accreditation as "Health and Productivity Management Outstanding Organizations 2020, for second consecutive years"

## 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.
- The Internal Audit Department in accordance with the Internal Auditing Regulations conducts at regular intervals audits to check whether the Company's head office divisions, subdivisions, and their respective branch offices as well as the subsidiaries of the Company, perform their operations lawfully and appropriately consistent with laws and regulations, the Articles of Incorporation, and miscellaneous other regulations, and reports the 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
  - ① A corporate auditor can attend meetings of the Board of Directors, Management Conference, Board of Executive Officers, and other important meetings.
  - ② A corporate auditor can review major related documents and request submissions of corresponding materials.
  - ③ A corporate auditor can at any time and as needed receive reports from officers and employees of the Group.
  - ④ 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.
  - ⑤ 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).
    - Notable damage to the company or significant compliance violations that occurs or are likely to occur
    - 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)
    - 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**

Method of Anti-Takeover Measures	Not introduced
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Supplementary explanation regarding corresponding item

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**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. Moreover, in accordance with the Financial Instruments and Exchange Act (FIEA) and the Tokyo Stock Exchange's "Rules on Timely Disclosures of Corporate Information by Issuers of Listed Securities" (hereinafter, "the timely disclosure rules"), the Company practices the timely disclosure of important information in a correct and equitable manner to all stakeholders based on the "Disclosure Policy" and "Fair Disclosure Regulations" established by the Company.

**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.

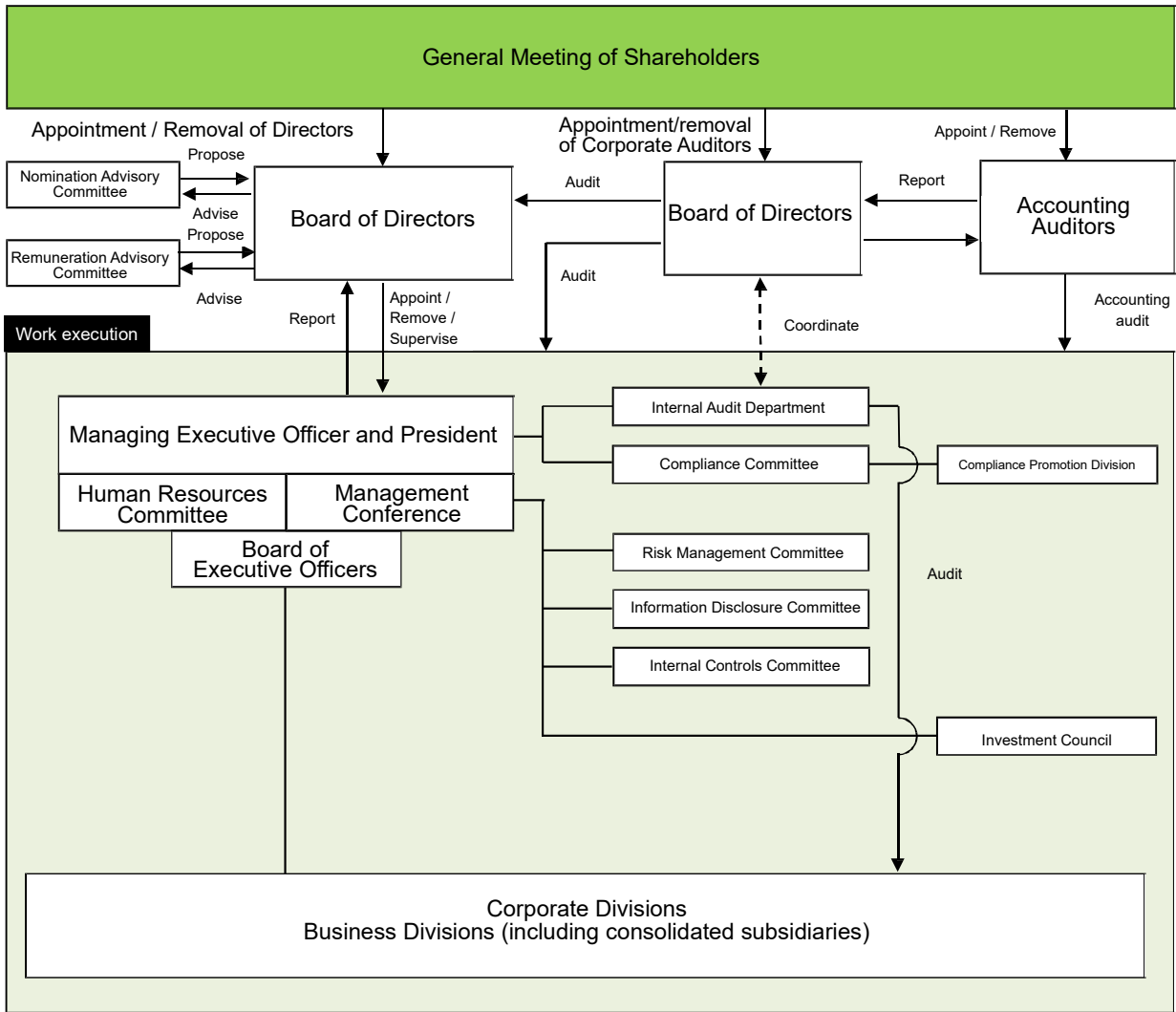
The Legal Division, which is the department for management of internal information, manages and supervises the occurrence of material facts as an effort to share information with the Corporate Planning Division.

**(3) Business results**

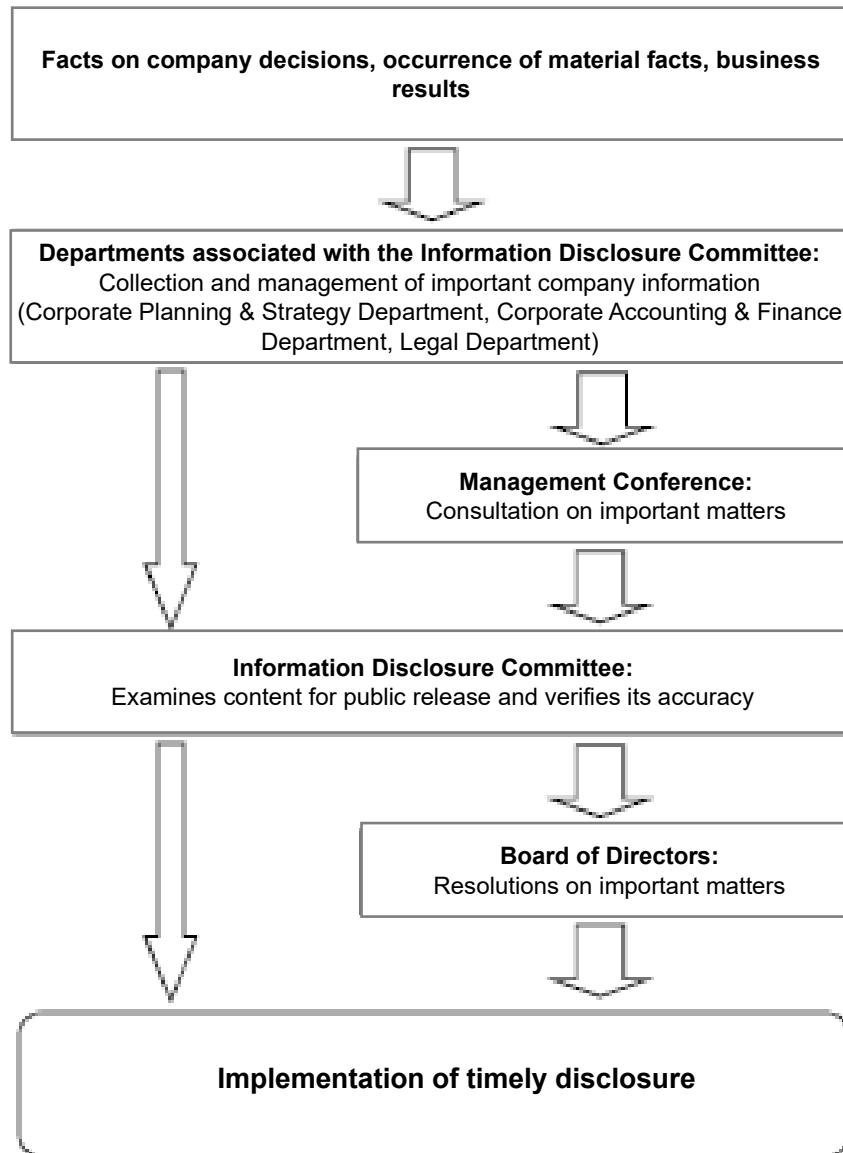
For financial results reporting, financial statements are prepared mainly by the Corporate Accounting & Finance Departments and are concurrently audited by the accounting auditor.

Furthermore, based on the Financial Instruments and Exchange Act and "Regulations regarding Evaluation of Internal Control over Financial Reporting" established by the Company, the Company has installed an "Internal Controls Committee," which from a company-wide, cross-sectional perspective engages in the creation and monitoring of internal control related to financial reporting, and in so doing builds frameworks to enable the execution of appropriate financial reporting.

[Schematic Diagram]



**[Timely Disclosure Process]**



Note: The company judges based on "Work Authority Regulations" established according to importance and risk degree the presence or absence of relevant important matters.