

Corporate Governance Report

Last Update: April 1, 2020

HENNGE K.K.

Kazuhiro Ogura

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Securities Code: 4475

<https://hennge.com/global/>

The corporate governance of HENNGE K.K. (the “Company”) is described below.

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

1. Basic Views

The Company and its subsidiaries (the “Group”) believe that the establishment of corporate governance is essential to ensure the transparency and fairness of corporate management and encourage continuous growth. Specifically, the Group believes that under the governance structure described below, the occurrence of misconduct can be prevented by applying effective internal check functions, and through the maintenance and continuation thereof. In addition, through the fulfillment of individual roles and responsibilities of Directors, Audit & Supervisory Board members, and employees, the Group will gain the trust of stakeholders and enhance its social credibility, thereby achieving continuous growth.

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

The Company complies with all of the General Principles of the Corporate Governance Code.

2. Capital Structure

| | |
|----------------------------|---------------|
| Foreign Shareholding Ratio | Less than 10% |
|----------------------------|---------------|

[Status of Major Shareholders]

| Name/Company Name | Number of Shares Owned | Percentage (%) |
|---|------------------------|----------------|
| Kazuhiro Ogura | 4,384,000 | 28.49 |
| Kazuaki Miyamoto | 2,290,000 | 14.88 |
| Yoshiki Nagatome | 2,126,000 | 13.82 |
| VCN Group Inc. | 960,000 | 6.24 |
| Taiyo Life Insurance Company | 874,000 | 5.68 |
| HENNGE Employees Shareholding Association | 844,000 | 5.48 |
| Chikara Sano | 782,000 | 5.08 |
| SunBridge Inc. | 758,000 | 4.93 |
| Investment Partnership ORIX 11 | 496,000 | 3.22 |
| Daiwa Corporate Investment Co., Ltd. | 374,000 | 2.43 |

| | |
|---|------|
| Controlling Shareholder (except for Parent Company) | — |
| Parent Company | None |

Supplementary Explanation

The following information is the supplementary explanation for “Status of Major Shareholders” shown above.

- This information is based on the shareholder registry as of September 30, 2019 (end of the previous fiscal year).

- The Company has disclosed the following information with regard to its listing on the Mothers Market of the Tokyo Stock Exchange, effective October 8, 2019. However, this information is not reflected in the above table, as the Company has not confirmed the information in the shareholder registry as of the end of the previous fiscal year.

1. Issuance of 50,000 shares of common shares for subscription by way of a public offering (as of October 8, 2019)

2. Selling shareholders and the number of shares offered in the secondary offering through purchase and underwriting by underwriters (as of October 8, 2019)

1) Taiyo Life Insurance Company 874,000 shares

2) Kazuhiro Ogura 96,000 shares

3) Kazuaki Miyamoto 96,000 shares

4) Yoshiki Nagatome 96,000 shares

5) VCN Group Inc. 96,000 shares

3. Issuance of 196,200 shares of common shares as a third-party allotment using the over-allotment system (as of November 6, 2019)

For details of the information disclosed with regard to the above listing, see https://hennge.com/jp/info/press/doc/press_20190902_02.pdf (in Japanese).

- During the period from the day following the end of the previous fiscal year to the date of submission of this report, the corporate entities and individuals stated in 2) to 5) of 2. above, as well as the corporate entity stated below, have filed large shareholding reports with the Director General of the Kanto Local Finance Bureau, which state that these corporate entities and individuals hold the Company's shares. However, these shareholdings are not included in the above table.

Large shareholding report dated December 9, 2019/Submitting party: Daiwa Asset Management Co. Ltd./
Number of shares held: 424,000 shares/Shareholding percentage: 2.71%

(Reference: Party jointly submitting report: Daiwa Corporate Investment Co., Ltd./Number of shares held:
374,000 shares/Shareholding percentage: 2.39%)

3. Corporate Attributes

| | |
|---|--|
| Listed Stock Market and Market Section | Mothers Market of the Tokyo Stock Exchange |
| Fiscal Year-End | September |
| Type of Business | Information and communication |
| Number of Employees (Consolidated) as of the End of the Previous Fiscal Year | From 100 to less than 500 |
| Net Sales (Consolidated) for the Previous Fiscal Year | Less than \10 billion yen |
| Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year | Less than 10 |

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

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

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

1. Organizational Composition and Operation

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|-------------------|--|
| Organization Form | Company with Audit & Supervisory Board |
|-------------------|--|

[Directors]

| | |
|---|-----------|
| Maximum Number of Directors Stipulated in Articles of Incorporation | 10 |
| Term of Office of Directors Stipulated in Articles of Incorporation | 2 years |
| Chairperson of the Board of Directors | President |
| Number of Directors | 4 |
| Appointment of Outside Directors | Appointed |
| Number of Outside Directors | 1 |
| Number of Independent Outside Directors | 1 |

Outside Directors' Relationship with the Company (1)

| Name | Attribute | Relationship with the Company* | | | | | | | | | | |
|--------------|----------------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k |
| Fumiaki Goto | From another company | | | | | | | | | | | |

* Categories for "Relationship with the Company"

* "○" indicates that the director currently falls or has recently fallen under the category;

"△" indicates that the director fell under the category in the past

* "●" indicates that a close relative of the director currently falls or has recently fallen under the category;

"▲" indicates that a close relative of the director fell under the category in the past

- a. Executive of the Company or its subsidiaries
- b. Executive or non-executive director of a parent company of the Company
- c. Executive of an affiliate (subsidiary of the Company's parent company) of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the Company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/audit & supervisory board member
- g. Major shareholder of the Company (if the major shareholder is a legal entity, an executive of the legal entity)
- h. Executive (the director himself/herself only) of a client or supplier of the Company (which does not correspond to any of d., e., or f.)
- i. Executive (the director himself/herself only) of an entity, where outside directors/outside members of the audit & supervisory board are mutually appointed with the Company
- j. Executive (the director himself/herself only) of an entity that receives a donation from the Company
- k. Others

Outside Directors' Relationship with the Company (2)

| Name | Designation as Independent Director | Supplementary Explanation of the Relationship | Reasons of Appointment |
|--------------|-------------------------------------|--|--|
| Fumiaki Goto | ○ | Mr. Fumiaki Goto has no personal, capital, or business relationships or other special interests in the Company, other than holding 20,000 subscription rights to shares. | Since his appointment as an Outside Member of the Audit & Supervisory Board in 2001, Mr. Goto, based on his abundant and extensive experience in corporate management, and his deep understanding of the Company's vision and business, has been forecasting possible risks based thereon, holding frank discussions with members of management, and candidly expressing harsh opinions, when necessary. Since 2018, he has been elected as Outside Director, in the belief that he would continue to provide valuable opinions and advice that would prove useful to the Company's management strategy, and that he would fulfill his duties as an Outside Director appropriately. The Company also recognizes that his independence has been assured, given that, other than the relationship described on the left, there are no personal, capital, or business relationships or other special interests between Mr. Goto and the Company. Accordingly, due to the absence of any risk of conflicts of interest with general shareholders, the Company has designated him as an Independent Director. |

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| Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee | Not established |
|---|-----------------|

[Audit & Supervisory Board Members]

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| Establishment of the Audit & Supervisory Board | Established |
| Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation | 3 |
| Number of Audit & Supervisory Board Members | 3 |

Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Section

As a general rule, Audit & Supervisory Board members, the Accounting Auditor, and the Internal Audit Section hold a three-party auditing meeting each quarter to exchange and share information necessary for audits.

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| Appointment of Outside Members of the Audit & Supervisory Board | Appointed |
| Number of Outside Members of the Audit & Supervisory Board | 3 |
| Number of Independent Outside Members of the Audit & Supervisory Board | 3 |

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

| Name | Attribute | Relationship with the Company* | | | | | | | | | | |
|------|-----------|--------------------------------|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k |

| | | | | | | | | | | | | | | | | | |
|------------------|----------------------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| Koichi Tamura | From another company | | | | | | | | | | | | | | | | |
| Akenobu Hayakawa | From another company | | | | | | | | | | | | | | | | |
| Kunihiro Onai | From another company | | | | | | | | | | | | | | | | |

* Categories for “Relationship with the Company”

* “○” indicates that the audit & supervisory board member currently falls or has recently fallen under the category;

“△” indicates that the audit & supervisory board member fell under the category in the past

* “●” indicates that a close relative of the audit & supervisory board member currently falls or has recently fallen under the category;

“▲” indicates that a close relative of the audit & supervisory board member fell under the category in the past

- a. Executive of the Company or its subsidiary
- b. Non-executive director or accounting advisor of the Company or its subsidiaries
- c. Executive or non-executive director of a parent company of the Company
- d. Audit & supervisory board member of a parent company of the Company
- e. Executive of an affiliate (subsidiary of the Company’s parent company) of the Company
- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an audit & supervisory board member
- i. Major shareholder of the Company (if the major shareholder is a legal entity, an executive of the legal entity)
- j. Executive (the audit & supervisory board member himself/herself only) of a client or supplier company of the Company (which does not correspond to any of f., g., or h.)
- k. Executive (the audit & supervisory board member himself/herself only) of an entity, where outside directors/outside members of the audit & supervisory board are mutually appointed with the Company
- l. Executive (the audit & supervisory board member himself/herself only) of an entity that receives a donation from the Company
- m. Others

Outside Members of the Audit & Supervisory Board’s Relationship with the Company (2)

| Name | Designation as Independent Members of the Audit & Supervisory Board | Supplementary Explanation of the Relationship | Reasons of Appointment |
|---------------|---|---|---|
| Koichi Tamura | ○ | Mr. Koichi Tamura has no personal, capital, or business relationships or other special interests in the Company, other than holding 20,000 subscription rights to shares. | Since his appointment as an Outside Member of the Audit & Supervisory Board in 2005, Mr. Tamura, based on his understanding of the Company’s management and corporate value, has been voicing numerous practical comments and advice from an independent and objective standpoint by leveraging his extensive experience at an administrative division of a listed company. He has been elected as an Outside Member of the Audit & Supervisory Board, in the belief that he would continue to provide appropriate audits and advice with regard to the Company’s decision-making. The Company also recognizes that his independence has been assured, given that, other than the relationship described on the left, there are no personal, capital, or business relationships or other special interests between Mr. Tamura and the Company. Accordingly, |

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| | | | due to the absence of any risk of conflicts of interest with general shareholders, the Company has designated him as an Independent Member of the Audit & Supervisory Board. |
| Akenobu Hayakawa | ○ | — | Mr. Hayakawa is well-versed in corporate law as an attorney, and has been performing audit functions from a position independent from management, based on his long years of experience and expertise. The Company recognizes that his independence has been assured, given that there are no personal, capital, or business relationships or other special interests between Mr. Hayakawa and the Company. Accordingly, due to the absence of any risk of conflicts of interest with general shareholders, the Company has designated him as an Independent Member of the Audit & Supervisory Board. |
| Kunihiro Onai | ○ | — | Mr. Onai is well-versed in finance, accounting, and tax matters as a tax accountant, and has been performing audit functions from a position independent from management, based on his long years of experience and expertise. The Company recognizes that his independence has been assured, given that there are no personal, capital, or business relationships or other special interests between Mr. Onai and the Company. Accordingly, due to the absence of any risk of conflicts of interest with general shareholders, the Company has designated him as an Independent Member of the Audit & Supervisory Board. |

[Independent Directors/Independent Members of the Audit & Supervisory Board]

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| Number of Independent Directors/Independent Members of the Audit & Supervisory Board | 4 |
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Matters relating to Independent Directors/Independent Members of the Audit & Supervisory Board

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[Incentives]

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| Incentive Policies for Directors | Stock options |
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Supplementary Explanation

A stock option plan has been adopted to further motivate Directors and heighten their morale toward improving business performance.

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|-----------------------------|--|
| Recipients of Stock Options | Inside Directors, Outside Directors, Outside Members of the Audit & Supervisory Board, employees |
|-----------------------------|--|

Supplementary Explanation

In terms of the number of subscription rights to shares held by Outside Directors/Outside Members of the Audit & Supervisory Board, both Director Fumiaki Goto and Audit & Supervisory Board Member Koichi

Tamura hold 20,000 rights, respectively. However, they otherwise have no personal, capital, or business relationships or other special interests in the Company.

[Director Remuneration]

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|--|--------------------------|
| Disclosure of Individual Directors' Remuneration | No individual disclosure |
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Supplementary Explanation

As there are no officers receiving remuneration of an aggregate amount exceeding ¥100 million, the total amount of Directors' remuneration is disclosed, rather than individual amounts.

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|--|-------------|
| Policy on Determining Remuneration Amounts and Calculation Methods | Established |
|--|-------------|

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The remuneration of Directors is within the total amount determined by a resolution of the General Meeting of Shareholders.

In addition, remuneration for individual officers is determined by the Representative Director, Chief Executive Officer, based on a resolution of the Board of Directors to leave the determination of the amount to the discretion of the Representative Director, Chief Executive Officer, in line with the respective duties and degree of contribution of each Director.

The policy regarding the calculation of remuneration for individual officers has not been determined.

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

Support for Outside Directors and Outside Members of the Audit & Supervisory Board is generally provided by the Business Administration Division. As a general rule, the agenda to be discussed by the Board of Directors is sent to Outside Directors and Outside Members of the Audit & Supervisory Board three days prior to the meeting. In addition, the agenda is shared through electronic means, with explanations provided, as necessary.

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

1) Directors and the Board of Directors

The Company's Board of Directors comprises four Directors, one of whom is an Outside Director. The Outside Director is elected from among talented human resources possessing experience that will contribute to the management of the Group, in an effort to promote a system that is capable of management decision-making from a wider perspective, and management oversight by a third party.

In order to ensure efficient and speedy decision-making, the Board of Directors holds periodic meetings once each month, as well as extraordinary meetings as necessary, in accordance with the Company's Articles of Incorporation and relevant laws and regulations, functioning as management's decision-making and supervisory organization.

Members of the Board of Directors include the Representative Director, Chief Executive Officer, Kazuhiro Ogura, who serves as the chairman of the Board, Directors Kazuaki Miyamoto and Yoshiki Nagatome, and Outside Director Fumiaki Goto.

2) Audit & Supervisory Board Members and the Audit & Supervisory Board

The Company's Audit & Supervisory Board comprises three members, including one standing member and two part-time members, all of whom are Outside Members of the Audit & Supervisory Board. The Standing Member of the Audit & Supervisory Board attends important internal meetings in addition to the Board of Directors meetings, and audits the performance of duties of Directors. The three Audit & Supervisory Board members also participate in the Board of Directors meetings and express necessary opinions, as appropriate.

The Audit & Supervisory Board members effectively and efficiently fulfill their respective audit functions, by reporting to and sharing with the Audit & Supervisory Board the details of audits, in accordance with the Audit & Supervisory Board members' annual audit plan. In addition, the Audit & Supervisory Board members cooperate with the Accounting Auditor and the personnel in charge of internal audits, share information necessary for the auditing of the Group, and enhance the effectiveness of the audits.

The Audit & Supervisory Board members include Koichi Tamura, Akenobu Hayakawa, and Kunihiro Onai.

3) Internal Audit Division

The Company has established a system that prevents self-audits, by having the auditing of the entire company performed by the Internal Audit Section that reports directly to the Representative Director, Chief Executive Officer and the internal audit personnel who does not belong to the Internal Audit Section. Under this system, internal audits are conducted regarding the status of compliance with laws and regulations and the efficiency of business activities. The audit results are reported to the Representative Director, Chief Executive Officer, while specific advice and recommendations are provided to the audited divisions for business improvement. The internal audits are witnessed by the Standing Member of the Audit & Supervisory Board, and the internal audit results are reported to the Accounting Auditor as part of efforts to share information.

4) The Executive Officer System and the Board of Executive Officers

The Company has adopted an executive officer system to ensure flexible decision-making as well as the efficiency of business execution.

Executive officers are elected by the Board of Directors and execute their respective duties based on the division of duties determined by resolution of the Board of Directors. The Company has also established the Board of Executive Officers as a meeting body, where executive officers discuss important matters regarding management, report on the execution of duties by executive officers, and exchange information among officers.

The Board of Executive Officers comprises the Representative Director, Chief Executive Officer, Kazuhiro Ogura, who serves as the chairman of the Board, Directors Kazuaki Miyamoto, Yoshiki Nagatome, Masami Tanaka, Haruo Amano, Shota Kawaminami, and Tsuyoshi Nakakomi.

5) Overview of the Limitation of Liability of Officers and the Agreements to Limit Liability

To ensure that officers can perform the roles expected of them during the execution of their duties, the Company, pursuant to Article 426, Paragraph 1 of the Companies Act, has provided in its Articles of Incorporation that it may limit the liabilities of Directors (including former Directors) and Audit & Supervisory Board members (including former Audit & Supervisory Board members) for damages due to negligence, within the amount stipulated in laws and regulations, by resolution of the Board of Directors.

In addition, the Company, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, has entered into agreements with one Outside Director and three Outside Members of the Audit & Supervisory Board to limit the liabilities for damages stipulated in Article 423, Paragraph 1 of the same act.

The limit of liabilities for damages based on these agreements is the minimum amount stipulated in Article 425, Paragraph 1 of the Companies Act, provided that the Outside Director and/or Outside Members of the Audit & Supervisory Board have performed their duties in good faith, without gross negligence.

3. Reasons for Adoption of the Current Corporate Governance System

The Company has adopted the governance structure of a Company with Audit & Supervisory Board, and has established a corporate governance system centered on the Board of Directors and the Audit & Supervisory Board.

The Board of Directors engages in active discussions. Through the election of one Outside Director, the Board of Directors has incorporated diverse perspectives into its management, and reinforced the supervisory function over Directors. In addition, by electing three Outside Members of the Audit & Supervisory Board, audits are conducted from an independent standpoint, and the audit functions have been strengthened.

In light of the above, the Company has determined that the effectiveness of corporate governance is assured, and accordingly has adopted the current governance structure.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures for Vitalization of the General Meeting of Shareholders and Smooth Exercise of Voting Rights

| | Supplementary Explanation |
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| Early Notification of General Meeting of Shareholders | The Company endeavors to dispatch the Notice of Convocation at the earliest possible date, as well as to undertake the prompt disclosure of the information to be stated in the Notice of Convocation through the website operated by the Tokyo Stock Exchange and the Company's website, as soon as the convocation is resolved at the Board of Directors, and prior to mailing of the Notice of Convocation. |
| Scheduling General Meeting of Shareholders Avoiding the Peak Day | Given that the Company's fiscal year-end is at the end of September, it holds its General Meeting of Shareholders each year in December, unlike other listed companies which hold their General Meeting of Shareholders in June. Going forward, the Company will endeavor to avoid holding its General Meeting of Shareholders on peak days, so that more shareholders will be able to attend. |
| Allowing Electronic Exercise of Voting Rights | The Company plans to introduce an electronic voting system in order to enhance the convenience of shareholders in exercising their voting rights and to improve the exercise rate. |
| Efforts to encourage participation in the electronic voting platform and other efforts to improve the environment for the exercise of voting rights for institutional investors | Although the Company does not currently take part in an electronic voting platform, going forward it will consider the possibility of participation, in light of its shareholder composition and the expenses entailed by participation in such a platform. |
| Providing Notice of Convocation in English | The Company recognizes the provision of the Notice of Convocation in English as a matter to be considered. |

2. IR Activities

| | Supplementary Explanation | Explanation by the Representative |
|---|---|-----------------------------------|
| Preparation and Publication of Disclosure Policy | The Disclosure Policy is posted on the IR page of the Company's website. https://hennge.com/jp/ir/policy/ (in Japanese) | - |
| Regular Investor Briefings for Individual Investors | The Company considers holding presentation meetings for individual investors to explain the status of business management, business performance, management policies, etc. | Yes |
| Regular Investor Briefings for Analysts and Institutional Investors | The Company holds presentation meetings for analysts and institutional investors, to explain the status of business management, business performance, management policies, performance forecasts, etc. During 2019, a presentation meeting regarding the financial results for the fiscal year ended September 30, 2019 was held (on November 18, 2019) at the IR meeting for analysts sponsored by The Securities Analysts Association of Japan. The Company plans to hold such presentation meetings periodically, going forward. | Yes |
| Regular Investor Briefings for Overseas Investors | The Company holds individual meetings (including conference calls) for overseas institutional investors to explain the status of business management, business performance, management policies, performance forecasts, etc. | Yes |

| | | |
|--|---|---|
| Posting of IR Materials on Website | The Company posts documents, including its quarterly financial results, securities reports (in Japanese), quarterly reports (in Japanese), materials for timely disclosure(in Japanese), and various presentation materials on its website. https://hennge.com/global/info/investors/ | - |
| Establishment of Department and/or Manager in Charge of IR | The Business Administration Division is in charge of IR. | - |

3. Measures to Ensure Due Respect for Stakeholders

| | Supplementary Explanation |
|---|---|
| Stipulation of Internal Rules for Respecting the Position of Stakeholders | The Company, in accordance with its awareness of the importance of announcing timely and appropriate company information to stakeholders, including customers, shareholders, and investors, engages in accurate disclosures by means of its website and other media. |
| Implementation of Environmental Conservation Activities, CSR Activities, etc. | The Company is promoting the use of paperless documents, including internal rules, approval documents, contract documents, etc. The Company is pushing forward with initiatives to conserve resources in its business activities. The Company recognizes that systematic environmental conservation activities and CSR activities are matters to be considered, going forward. |
| Development of Policies on Information Provision to Stakeholders | In order to disclose timely and appropriate information to stakeholders, including customers, shareholders, and investors, the Company has established the “Disclosure Policy” as its basic policy on disclosures. The Company discloses information to its stakeholders based on this policy. |

IV. Matters Related to the Internal Control System

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

The Company recognizes the establishment of an appropriate internal control system as one of the crucial responsibilities of the Board of Directors. Accordingly, the Company has established the basic policy on the development of systems to ensure the appropriateness of business operations (“Basic Policy on the Establishment of the Internal Control System”), as follows.

1. System to ensure that business execution by Directors and employees complies with laws and regulations, and the Articles of Incorporation
 - (1) The Board of Directors shall comprise Directors including Outside Directors, determine important matters in accordance with laws and regulations, the Articles of Incorporation, and the “Board of Directors Rules,” and supervise the business execution of Directors.
 - (2) Directors shall supervise their designated business operations based on the respective roles determined by the Board of Directors, and in accordance with laws and regulations, the Articles of Incorporation, resolutions of the Board of Directors, and internal rules.
 - (3) The executive officer system shall be adopted to strengthen the decision-making function of the Board of Directors and to improve the efficiency of business execution. Executive officers shall execute their designated duties, as delegated by the Board of Directors and the Representative Director, based on the decisions of the Board of Directors.
 - (4) The “Basic Policy on Compliance” and the “Compliance Rules” (hereinafter, collectively referred to as the “Compliance Rules, etc.”) shall be established, and compliance-oriented management shall be practiced in order to ensure that all Directors and employees will always be aware of their corporate social responsibility, and act in compliance with social norms as well as written laws, regulations and rules.
 - (5) A Director in charge of compliance shall be elected in accordance with the “Compliance Rules, etc.,” and a Compliance Committee chaired by the Director in charge of compliance shall be established. By periodically convening the Compliance Committee and cooperating with the Whistleblowing Hotline, violations of laws and regulations by Directors and employees, as well as the possibility of occurrence of such violations shall be monitored, investigated, supervised, and managed.
 - (6) In the event of a compliance violation, a system led by the Compliance Committee for reporting to the Representative Director, Chief Executive Officer, the Board of Directors, and the Audit & Supervisory Board, and a system for consulting and reporting to the corporate attorney, as necessary, shall be established.
2. System to retain and manage information concerning business execution by Directors
Important management documents, confidential information, and personal information shall be appropriately recorded, retained, and managed in accordance with laws and regulations, the provisions of the “Document Management Rules,” the “Information Security Management Rules,” and other rules.
3. Rules and other systems for managing the risk of loss
The “Risk Management Rules” and the “Crisis Management Rules” shall be established in order to prevent the materialization of risks. In addition, a system shall be established to take prompt and appropriate measures in the event that risks materialize.
4. Systems to ensure efficient business execution by Directors
 - (1) To ensure efficient business execution by Directors, matters relating to the operation of the Board of Directors shall be provided in the “Board of Directors Rules.” In addition, the Board of Directors meetings shall be held once each month, with extraordinary meetings held as necessary.
 - (2) Directors shall utilize IT and make efforts to promptly and accurately grasp management information.
5. Systems to ensure the appropriateness of business operations of the corporate group, comprising the Company and its subsidiaries
 - (1) Regarding matters relating to the business execution by subsidiaries’ Directors, etc., the appropriateness of business operations shall be ensured by periodically receiving reports on the subsidiaries’ management status at the Company’s Board of Directors meetings.

- (2) Regarding the risk items provided in the “Risk Management Rules,” the subsidiaries’ Board of Directors shall conduct assessments, as necessary, to prevent the materialization of risks. In addition, a system shall be established to take prompt and appropriate measures in the event that risks materialize.
 - (3) The Company’s Audit & Supervisory Board members shall give due consideration to whether the subsidiaries’ internal control systems have been properly developed, and exercise their statutory rights, as necessary, to investigate the subsidiaries and take other actions.
 - (4) The personnel in charge of internal audits shall perform periodic and ad hoc internal audits of subsidiaries, and promote the development of internal controls, while providing instructions regarding improvement measures, as well as support and advice on implementation.
6. Matters related to employees who support Audit & Supervisory Board members in cases where the Audit & Supervisory Board members request employees to support them in their duties; matters relating to the independence of such employees from Directors; and systems to ensure the effectiveness of instructions given to such employees
- (1) If Audit & Supervisory Board members request supporting staff, employees to support their duties shall be determined following an exchange of opinions between Directors and Audit & Supervisory Board members.
 - (2) If employees to support Audit & Supervisory Board members are provided, such employees shall not be subject to the commands and orders of Directors or other superiors regarding requests by the Audit & Supervisory Board members.
 - (3) Personnel transfers and disciplinary actions concerning employees who support the duties of Audit & Supervisory Board members shall require the prior consent of the Audit & Supervisory Board members.
7. Systems for Directors and employees to report to Audit & Supervisory Board members
- (1) The Company’s Directors and employees, and its subsidiaries’ Directors and employees shall promptly report on the status of business execution when requested by Audit & Supervisory Board members.
 - (2) The Company’s Directors and its subsidiaries’ Directors shall immediately report to Audit & Supervisory Board members when facts that could potentially cause significant damage to the Company or its subsidiaries are discovered.
 - (3) A system shall be established whereby the Company’s employees and its subsidiaries’ employees can report to Audit & Supervisory Board members through the Whistleblowing Hotline or other channels, when facts that could potentially cause significant damage to the Company or its subsidiaries are discovered.
 - (4) A system shall be established to ensure that persons who have reported to Audit & Supervisory Board members, as described above, shall not be treated unfairly.
 - (5) The Director in charge of compliance shall appropriately report the facts that were reported through the Whistleblowing Hotline to Audit & Supervisory Board members, without delay.
8. Systems to ensure effective audits by Audit & Supervisory Board members, and other matters
- (1) Audit & Supervisory Board members may attend and express opinions at the Board of Directors meetings and other important meetings in order to grasp important decision-making processes and the status of business execution. Audit & Supervisory Board members may also inspect documents requesting important approvals and other important documents relating to business execution, and request explanations, as necessary, from Directors and employees.
 - (2) If Audit & Supervisory Board members make requests to the Company for payment of expenses, including advances arising from the execution of their duties, in accordance with Article 388 of the Companies Act, the Company shall promptly process such expenses or liabilities.

2. Basic Views on Eliminating Anti-Social Forces and the Progress of System Development

The Company has established the “Basic Policy on Anti-social Forces (ASF) and Rules on Countermeasures” and the “Manual on the Investigation of Anti-social Forces (ASF).” In addition, the Company is also a member of the Shibuya Area Council for Countering Special Violence, in order to gather and share relevant information.

V. Other

1. Adoption of Anti-Takeover Measures

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|------------------------------------|-------------|
| Adoption of Anti-Takeover Measures | Not adopted |
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Supplementary Explanation

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2. Other Matters Concerning the Corporate Governance System

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