

Note on translation

This is a translation of the original Japanese document and is provided for informational purpose ONLY. If there are any discrepancies between this and the original, the original Japanese document prevails.

TechnoPro Group Corporate Governance Guidelines

Introduction

These Guidelines provide for the good corporate governance of TechnoPro Holdings, Inc. (hereinafter “the Company”) and the TechnoPro Group (hereinafter “the Group”; refers to the generic term used for the Company and the Company’s subsidiaries), in order to bring to fruition the following the Group Corporate Philosophy, the TechnoPro Group Vision, to increase our corporate value and to enhance the long-term interests of shareholders to possess the Company shares over the long term with peace of mind.

*(The Group Corporate Philosophy – **TechnoPro Group Vision**) :*

- (1) Our mission is to engage each engineer with sincerity and diligence, and to serve as a partner in helping them achieve their goals.*
- (2) As a group of advanced engineering experts, we provide various solutions to support customer research, development, and design for customers engaged in global markets.*
- (3) By creating an environment that allows our engineers to transcend industry borders, we contribute to the realization of an industry structure capable of responding flexibly to an ever-changing market.*

The Company hereby announces the Guidelines in proof of its commitment to pursuing the best corporate governance.

Chapter 1 General Provisions

Article 1 Purpose and positioning of these Guidelines

1. These Guidelines document the framework or the management policies of a corporate governance structure that conforms to the basic views related to the objectives of the Group’s corporate activities as well as the Company’s corporate governance.
2. The Guidelines are positioned as a high-ranking set of regulations, following the Companies Act, related laws and regulations as well as the Articles of Incorporation, and shall be in addition to that for basic policies regarding the internal control system, Board of Directors Regulations, Directors/Audit & Supervisory Board Members Regulations and other related regulations.
3. The Board of Directors shall continuously review the effectiveness and the appropriateness of the Guidelines and make revisions, as needed, through a resolution. If the Guidelines were to be revised, the content shall be announced in a timely and appropriate manner.

Article 2 Purpose of business activities and corporate governance system

1. The purpose of the Group’s business activities is to increase our corporate value and common shareholder interests through sustainable growth, which we achieve by outlining basic management policies and strategies based on our Group Corporate Philosophy that the executives and employees of all our Group companies work as one to implement. Through our success at achieving sustainable growth, the Group is able to contribute to industry development in Japan and overseas, and make contributions towards a more prosperous society.
2. As a holding company, the Company oversees strategic planning and operations management functions for the entire Group to ensure that our Group appropriately fulfills our social responsibilities. Furthermore, as a listed company, we have established a corporate governance system centered on our Board of Directors to fulfill our responsibilities to shareholders by ensuring self-discipline and accountability in relation to the management of Group operations.

Article 3 Basic approach to corporate governance

1. The Company constantly pursues ideal corporate governance and work continuously to enhance its corporate governance.
2. The Company respects the rights of our shareholders and believes the true meaning of corporate governance is to ensure fairness and transparency in decision-making and to increase the health of management. We work to enhance our corporate governance through activities grounded in the following basic approach.
 - (1) Relationship with shareholders
 - Respect shareholder rights and ensure equality between shareholders.
 - Create positive relationships and cooperate appropriately with shareholders and all stakeholders.
 - Ensure the appropriate disclosure and transparency of corporate information.
 - Have constructive communication with shareholders practicing medium- to long-term investment strategies.
 - (2) Corporate governance system
 - Adopt corporate structure employing a Board of Directors, which makes decisions over management and has supervisory and monitoring authority over business execution, and an Audit & Supervisory Board, which oversees audit functions.
 - Adopt an executive officer system that allocates executive authority and responsibility over daily operations to executive officers to enable dynamic and efficient business management.
 - Establish and utilize the Nomination and Compensation Committee to further enhance governance functions by ensuring the appropriate involvement of and receipt of advice from outside directors and auditors regarding matters such as executive appointments and compensation.
 - Enhance system of internal controls for the purpose of ensuring the reliability of financial reporting.

Chapter 2 Shareholder Relations

Article 4 General meeting of shareholders

1. The Company secures substantial time for shareholders to consider items on the agenda of a general meeting of shareholders so that they would be able to exercise their voting rights in an appropriate manner. This is to be done by sending notices on the convocation of a general meeting of shareholders as well as reference materials at an early stage and by posting the convocation notice on the Company's official website between the time a Board of Director's resolution is passed regarding the convocation of the general shareholders meeting and the time the convocation notice is mailed out.
2. The Company sets up an environment in which shareholders are able to exercise their voting rights in an appropriate manner, and not only for shareholders who attend the general meeting of shareholders, but also those who are using an electronic platform to exercise their voting rights, among other means.
3. The Company provides substantial explanation to shareholders and take time in responding to their questions at the general meeting of shareholders in order to bring about a trusting relationship with its shareholders.

Article 5 Ensuring shareholder equality

1. The Company treats each shareholder with equality based on each shareholder's equity stake.
2. The Company discloses information in an appropriate and timely manner so that an information gap does not emerge among shareholders.
3. The Company shall not provide any special benefits, including profits from assets, to any particular shareholder.

Article 6 Returns to shareholders and protection of shareholder rights

1. The Company decides on and discloses its basic policies related to shareholder returns, including surplus dividends.
2. In order to protect shareholder rights, the Company appropriately discloses to shareholders the relevant information whenever there are changes to the Company's shareholder composition or actions which might lead to such changes in the future, such as the allocation of new shares to particular third parties.

Article 7 Prevention of conflicts with shareholder interests

1. To protect shareholder interests, the Company works to prevent the Group executives and employees from using their positions to conduct transactions that are counter to the interests of the Group as well as shareholders.
2. The Group Directors shall not conduct any conflict-of-interest transactions or competing transactions without approval by the Board of Directors.
3. In order to prevent insider transactions by the Group executives and employees, the Company establishes the TechnoPro Group Insider Trading Prevention Regulations and strictly applies such rules.

Article 8 Interlocking cross-shareholdings

The Group's basic policy is to not engage in pure investments. Investments in companies other than consolidated subsidiaries, including cross-shareholdings, are limited to the purposes of creating business opportunities and building and reinforcing collaborative relationships. The Group engages in such investments in accordance with the following policy.

- (1) Investment decisions
 - Decisions on new investments are based on their contribution to increases in the TechnoPro Group's corporate value, for the purpose of holding and from the perspective of medium- to long-term economic rationality.
- (2) Monitoring
 - During the period in which it holds investments, the Group conducts periodic assessments of whether the purpose of holding is being met, of economic changes following acquisition, and of the rationality and necessity of holding the investments. Based on these assessments, the Group decides whether to continue holding or sell investments and reports annually to the Board of Directors.
- (3) Exercise of voting rights
 - In exercising its voting rights, in principle the Group decides whether to vote for or against proposals based on whether such proposals are in line with the Group's investment purposes and whether they enhance the corporate value of the investee, rather than abstaining from voting or giving the investee carte blanche.

Article 9 Constructive communication with shareholders

1. In addition to the General Meeting of Shareholders, the Company conducts constructive communication with shareholders to the extent and via means deemed appropriate.
2. The Company outlines the following as a basic policy concerning system and initiatives to promote constructive communication with shareholders.
 - (1) The Managing Executive Officer and CFO is in charge of communication with shareholders.
 - (2) Communication with shareholders is handled by the Communication and IR Department, which is overseen by the Managing Executive Director and CFO and conducts appropriate information sharing with the Management Planning Department, Accounting Department, General Affairs Department, and other related departments prior to communicating with shareholders.
 - (3) Hold regular investor conferences to a reasonable extent as a way to enhance communication with shareholders.
 - (4) Opinions, etc. received during communication with shareholders should be reported appropriately to directors, etc.
 - (5) Ensure appropriate management of insider information during communication with shareholders.

3. The Company drafts and discloses a medium-term business plan and other important strategies, including the basic policies related to profit plans and capital strategy as well as goals related to profitability and capital efficiency, to provide a plain, clear, and logical explanation to shareholders regarding the specific policies on the distribution of management resources and the steps necessary to achieve the goals.

Chapter 3 Stakeholders Relations

Article 10 Interests of stakeholders

The Group, to improve the Group's corporate value over the medium to long term, considers the interests of not only the Company's shareholders, but also those of various stakeholders, such as the Group employees, customers, business partners, creditors and regional communities.

Article 11 Code of Conduct

1. To ensure that the Group, as a corporate group that is trusted by society, works to build positive relationships with stakeholders and proactively contributes to society, the Group outlines the "TechnoPro Group Code of Conduct" and it conducts honest corporate practices that focus on compliance.
2. The Group outlines "the Six Core Commitments of TechnoPro Group" as the Code of Conduct for the Group executives and employees. The Group conducts honest corporate practices by upholding and promoting these commitments.

Article 12 Sustainability

The Group is grounded in the assumption of sustainable business activities and sustainable development. With an understanding of the importance of the balance between business activities and the global environment, the Group establishes the "TechnoPro Group Environmental Principles" and the "TechnoPro Group Basic Environmental Policy", and through the implementation of these the Group aim to make proactive contributions to society.

Article 13 Whistle-blowing

1. The Group clearly notes in its Whistle-blowing System Management Regulations and other regulations related to human resources that the Group employees and others are able to report serious misgivings regarding illegal or unethical actions or practices within the Group and shall not be placed in a disadvantageous position for the notification.
2. The Board of Directors establishes a structure associated with a whistle-blowing system and review in an appropriate manner by receiving regular reports from the CSR Promotion Department regarding its status.

Chapter 4 Disclosure and Transparency

Article 14 Disclosure and transparency

1. The Company determines policies concerning matters such as Group risk management, internal control systems, and legal compliance in accordance with the Companies Act and other applicable laws, and provide timely and appropriate disclosure.
2. The Company complies with the Companies Act, the Financial Instruments and Exchange Act, and other applicable laws as well as applicable financial instrument exchange regulations to disclose financial and administrative information via fair, detailed, and simple methods.
3. The Company outlines the Disclosure Policy and, in accordance with this policy, always provides honest disclosure from the perspective of shareholders and investors.
4. The Company establishes a system and means for information disclosure and works to foster trust-based relationships by enhancing communication with shareholders and investors.

Article 15 Secure appropriate execution of accounting audits

1. The external accounting auditors ensure the reliability of financial statements, and they have an important responsibility toward shareholders and investors to realize the best corporate governance.
2. The external accounting auditors must ensure independence from the Company and must possess expertise to secure audit quality, along with conducting systematic management for the quality control of auditing.
3. The Audit & Supervisory Board formulates the Evaluation Standards for External Accounting Auditors for selecting external auditor candidates as well as verifying the presence of independence and expertise as noted in the previous paragraph.
4. The Board of Directors and the Audit & Supervisory Board secure sufficient time to ensure high-quality audits; provide external accounting auditors access to management, including the President and CEO and the CFO; secure substantial coordination between external accounting auditors and Audit & Supervisory Board Members, outside directors, the Internal Audit Department, among others; and establish a structure that can respond to any misconduct, inadequacies or problems pointed out by external accounting auditors.

Chapter 5 Responsibilities of the Board of Directors

Article 16 Roles and responsibilities of the Board of Directors

1. In light of the responsibilities and accountability as the shareholders' trustee, the Board of Directors is responsible for the Groups' sustainable growth and for continuous improvements to medium- to long-term corporate value and common shareholder interests.
2. The Board of Directors aims to fulfill these responsibilities by creating an ideal corporate governance structure to support the realization of the Group Corporate Philosophy and serves in a supervisory role for all business activities to ensure fairness and transparency while also conducting ideal decision-making, including making decisions on a basic management policy and other vital matters, evaluating major risks and drafting response measures, nominating senior management personnel and deciding on compensation.
3. The Board of Directors shall include a medium-term management plan and fiscal budget in the basic management policy and focus on conducting strategic and constructive deliberations related to specific management strategies and policies aimed achieving said plans and targets. In the event that the company fails to achieve the goals outlined in a medium-term business plan or fiscal budget, the Board of Directors shall sufficiently analyze and validate said factors, provide an explanation to shareholders, and take appropriate measures to reflect those results into plans for the upcoming fiscal year.
4. The Board of Directors supervises the implementation of timely, accurate information disclosure and conducts the appropriate management of potential conflicts of interest between the Company and related parties, including supervisory and management personnel, and majority shareholders.
5. The Board of Directors shall ensure Group's agility to execute business operations and shall ensure sufficient deliberation time at Board of Directors' meetings for important matters. Furthermore, to strengthen supervisory functions for general operations, excluding matters stipulated by the Companies Act, relevant laws, or the Articles of Incorporation, matters entrusted to the Board of Directors via a resolution by the General Meeting of Shareholders, and matters outlined above in paragraphs 2, 3 and 4 in this Article, the Board of Directors may defer matters related to operating decisions to Executive Directors and Executive Officers. The Board of Directors shall establish appropriate internal controls and a risk management system within the Group to ensure the practicality of the decision-making process for entrusted matters.

Article 17 Directors' role and responsibilities

1. Directors shall receive reports and explanations from the President and Representative Director or from other Directors as a member of the Board of Directors, and provide questions, instructions and advice, as necessary, as a way to participate in the board's decision-making and supervise the execution of business by other Directors and Executive Officers.
2. In addition to the previous paragraph, Outside Directors, from the perspective of securing the effectiveness of the Board of Directors' independent and objective supervision of management, shall provide advice from the vantage point of improving corporate value over the medium to long term by promoting the Company's sustainable growth regarding its management policies and improving management. They shall also consider and make decisions from a standpoint of stakeholders outside of the Group, including shareholders who are independent of management and controlling shareholders.
3. Directors have the obligation to exercise due care of a prudent manager, the duty of loyalty and the duty of confidentiality.
4. Directors shall actively express their opinions and conduct thorough discussions, as well as collect sufficient information to execute their responsibilities.
5. Directors shall spend sufficient time on the execution of their duties and demonstrate the competence expected of them, in responding to the trust placed in them by all shareholders.
6. Directors must not pursue their personal interests or those of a third party and operate against the interests of the Group. Even when there is no such intention, they must not be involved in transactions with a conflict or compete with the interests of the Group without approval by the Board of Directors.
7. Directors with a conflict of interests (not only personal conflicts of interests, but also business-related conflicts of interests regarding those outside the Company or outside the Company's subsidiaries) cannot participate in decision-making in the Board of Directors resolutions associated with matters noted in the previous paragraph.

Article 18 Size and composition of the Board of Directors

The maximum number of members of the Board of Directors is prescribed under the Articles of Incorporation. Also, the Board of Directors shall in principle set its optimal size and composition based on the following items from the perspective of an effective and stable operation of the board.

- (1) The board shall consist of an appropriate number of members to ensure sufficient deliberations and review as well as swift decision-making.
- (2) The board shall appoint more than one Independent Outside Directors based on the board's role of taking on a supervisory function regarding management.
- (3) A suitable number of Internal Directors (refers to directors other than Outside Directors; the same applies hereinafter) shall be appointed with the aim to secure stable and appropriate operations through guaranteed quality in decision-making, including expertise, by Directors who are well versed in matters including our business models, trends, actual operations and related regulations.
- (4) The Internal Directors under the President & Representative Director shall consist of Business Director(s) and Managing Director(s), by giving due attention to the standpoint of internal control in organizational management.
- (5) Due attention will be paid to avoid having all or almost all candidates being new appointments when deciding on Director candidates from the perspective of sustainability and stability of the board.
- (6) Balance in knowledge, experience, capability and specialty areas will be considered from the perspective of diversity of the board.

Article 19 Nomination and Compensation Committee

1. The Board of Directors has the Nomination and Compensation Committee, an advisory organ on nominations and compensations for the Group Directors, Audit & Supervisory Board Members and Executive Officers, for which the majority would consist of Outside Directors and Outside Audit & Supervisory Board Members, as a way to strengthen objectivity and accountability regarding decisions made on nominations and remunerations for the Group executives.
2. Matters related to the Nomination and Compensation Committee is prescribed in the "Regulations for Nomination and Compensation Committee" which requires a resolution by the Board of Directors for changes.

Article 20 Selection Standards for Director and Audit & Supervisory Board Members

1. The Board of Directors formulates its own "Selection Standards for Directors and Audit & Supervisory Board Members" as shown in Attachment 1, in addition to requirements stated in the Companies Act. The Board of Directors shall select the appropriate candidates of Director and Audit & Supervisory Board Member after comparing the requirements, upon consultation with the Nomination and Compensation Committee.
2. It would be preferable for Outside Directors and/or Outside Audit & Supervisory Board Members (hereinafter referred to generically as "Outside Executives") as well as Outside Executives candidates to satisfy the "Independence Standards for Outside Directors/Audit & Supervisory Board Members" established in Article 32 as well as Attachment 2 of these Guidelines.

Article 21 Independence Standards for Outside Directors/Audit & Supervisory Board Members

1. The Company establishes and utilizes the "Independence Standards for Outside Directors/Audit & Supervisory Board Members" (hereinafter referred to as "independence standards") as shown in Attachment 2.
2. The Company shall submit to the Tokyo Stock Exchange and disclose in an appropriate and timely manner regarding Outside Directors/Audit & Supervisory Board Members who have been judged as fulfilling such independence standards after deliberations by the Nomination and Compensation Committee and deciding that they are independent Directors/Audit & Supervisory Board Members who are not at risk of having a conflict of interest with general shareholders.
3. Independent Outside Directors/Audit & Supervisory Board Members must endeavor to continuously secure independence standards until they step down from their post.

Article 22 Independent Executive Committee

1. In order to actively contribute to discussions at the board, Independent Outside Directors/Audit & Supervisory Board Members among themselves exchange information, develop a shared awareness and discuss proposals to the management, by regularly holding the Independent Executive Committee. When they deem it necessary, they can have other persons - officers/employees of the Group and/or outside experts on legal/accounting/finance etc. - attend the Independent Executive Committee, and ask them to provide opinions and explanations.
2. The Chief Independent Outside Director shall act as chairman of the Independent Executive Committee.

Article 23 Chief Independent Outside Director

Independent Outside Directors votes to select a Chief Independent Outside Director from among themselves, in order to ensure smooth communication and coordination with the senior management and to liaise with the Audit & Supervisory Board Members or the Audit & Supervisory Board.

Article 24 Executive compensation

1. The Group considers the following points when determining compensation for the Group Directors, Audit & Supervisory Board Members and Executive Officers.
 - (1) Maintain practicality that ensures the Group's ability to fulfill its responsibilities to shareholders in terms of accountability and performance.
 - (2) Ensure compensation that serves as an incentive for the implementation of management policies and increases corporate earnings and shareholder value. Compensation that promotes not only short-term results, but also continuous increases to corporate value and shareholder value.
 - (3) Represents sufficient compensation relative to performance, at a level that supports the hiring of, provides motivation to, and ensures the retention of talented personnel.
2. Determining the compensation for the Group executive along with establishing and changing basic policies, guidelines, regulations and procedures that are further necessary to such compensation, shall go through the process of deliberations and recommendations by the Nomination and Compensation Committee (as to individual remuneration of Audit & Supervisory Board Members, however, only limited to cases in which individual compensation is determined at a General Meeting of Shareholders).
3. The Company, as shown in Attachment 3, outlines and employs the "Basic Policies and Procedures for Determining Executive Compensation".

Article 25 Operation of the Board of Directors meeting

1. The chairperson of the Board of Directors secures sufficient time for the board's deliberations and endeavor to invigorate discussions and improve their quality as well as advance constructive deliberations.
2. Materials related to items on the agenda for a Board of Directors meeting are to be distributed to Directors and Audit & Supervisory Board Members sufficiently in advance of the meeting date in order to enable effective deliberations. However, this is not required of topics that specifically carry a sense of urgency and confidentiality, and the Board of Directors could hold deliberations prior to the distribution of materials.
3. The General Affairs Department is to serve as the secretariat office for the Board of Directors, which will endeavor toward a smooth operation of the board by setting a schedule for annual board meetings or adjusting anticipated agenda by holding a review meeting to discuss topics ahead of a board meeting.
4. The Board of Directors as well as the Nomination and Compensation Committee, when necessary, shall have Directors, Executive Officers and employees of the Group other than board and committee members and outside experts to attend, report and express their views.

Article 26 Concurrent post at other companies

1. It is preferable that Directors or Audit & Supervisory Board Members do not simultaneously serve as executives (director, audit & supervisory member, executive officer) of more than three listed companies, in addition to their role at the Company, given that they are expected to devote sufficient time and effort required to fulfill their respective roles and responsibilities.
2. When a Director receives a request from another company or organization to serve in an executive position, regardless of whether or not said company is listed, the Director must provide notification to the Board of Directors.
3. The status of Directors and Audit & Supervisory Board Members who serve simultaneously at other companies or organization is to be reported regularly to the Board of Directors.

Article 27 Training and education for Directors and Audit & Supervisory Board Members

1. Directors and Audit & Supervisory Board Members must proactively collect information on the Group management strategies, earnings, financial conditions, corporate governance and compliance, among other matters, and study diligently to continuously update their knowledge necessary to fulfill their respective roles and responsibilities.
2. The Company continuously offers necessary information and knowledge to each Director and Audit & Supervisory Board Member for executing their responsibilities both and provide and arrange training opportunities suitable to each executive along with financial support for associated expenses.
3. The Company outlines the "Training Policy for Directors and Audit & Supervisory Board Members" in executing items noted in the previous paragraph, as shown in Attachment 4.

Article 28 Board Evaluation

1. Each year, Directors are to submit a self-evaluation to the Board of Directors as to whether the execution of duties of the Board is being operated in accordance with these Guidelines.
2. Each year, the Board of Directors uses the self-evaluations conducted by each Director to analyze and evaluate its overall effectiveness, and provides appropriate disclosure of a summary of said results.
3. The Company shall work to maintain and continuously improve the effectiveness of corporate governance through the aforementioned process.

Chapter 6 Other**Article 29 Holding the Company shares**

It is preferable for Directors (excluding Outside Directors) to acquire the Company shares from the perspective of clarifying their commitment to management responsibilities aimed at realizing the Group's sustainable growth and improving corporate value and shareholder interests over the medium to long term.

Supplementary Provisions

These Guidelines may be revised by a resolution of the Company's Board of Directors.

Revision History

July 1, 2015	Established
November 1, 2015	Adjusted
January 1, 2016	Revised
February 4, 2016	Revised
September 1, 2016	Adjusted
November 1, 2017	Revised

[Attachment1]

Selection Standards for Directors and Audit & Supervisory Board Members

1. The Company's Directors and Audit & Supervisory Board Members must satisfy the conditions listed below, in addition to meeting criteria that includes satisfying statutory requirements and those of the Articles of Incorporation, exhibiting no behavior that would be grounds for disqualification as stipulated in the Directors/Audit & Supervisory Board Members Regulations, and having no current or prior involvement with anti-social forces.

“Prerequisites” for All Directors and Audit & Supervisory Board Members	
<ol style="list-style-type: none"> 1. All such individuals must exhibit outstanding character, knowledge and insight, while maintaining high regard for regulatory compliance and ethical standards. 2. All such individuals must maintain objectivity in making decisions, perceptiveness and foresight. 	
“Common requirements” for Outside Directors and Outside Audit & Supervisory Board Members in particular	
<ol style="list-style-type: none"> 1. Such individuals must have a high degree of knowledge along with extensive practical experience and experience serving in a leadership role in one or more fields such as corporate management, internal control, compliance, finance and accounting, financing, legal affairs, government, crisis management and education. 2. Such individuals must possess the capacity to gain an overall understanding of the entire Group, and to ascertain the essential issues and risks thereof, and should be capable of being counted on for making constructive contributions during deliberations of meetings of the Board of Directors and other such forums in a candid and active manner. 	
Requirements for Outside Directors in particular	Requirements for Outside Audit & Supervisory Board Members in particular
Such individuals must be those who can be counted on for objective business oversight and managerial decisions from a practical point of view based on extensive experience in corporate management and specialized fields, and for providing advice and support to facilitate sustainable growth of the Company.	Such individuals must be appointed with the aim of heightening neutrality and independence of the audit framework, and must be individuals capable of expressing an objective audit opinion from a neutral standpoint.
Requirements for Inside Directors in particular	Requirements for Inside Audit & Supervisory Board Members in particular
<ol style="list-style-type: none"> 1. Such individuals must be well-informed regarding industry trends and relevant regulations affecting the Group and the business model of the Group, and must have extensive practical experience in respective specialized fields. 2. Such individuals must be counted on to conduct business, with a capacity to manage organizations drawing on a Company-wide perspective. 	Such individuals must be well-informed regarding the organization, business pursuits and operating processes of the Group, and must be capable of performing highly effective audits involving the proper collection of information from within the Group.

2. Consideration is to be given to ensuring diversity of the Board of Directors and the Audit & Supervisory Board when appointing the Company's Directors and Audit & Supervisory Board Members.
3. At least one (1) individual appointed as an Audit & Supervisory Board Member of the Company must possess proper knowledge of finance and accounting.

(Note) Each of the above requirements are applicable to candidates for the positions of Director, Audit & Supervisory Board Member, Outside Director, Inside Director (meaning a Director who is not an Outside Director), Outside Audit & Supervisory Board Member, Inside Audit & Supervisory Board Member (meaning an Audit & Supervisory Board Member who is not an Outside Audit & Supervisory Board Member).

[Attachment 2]

Independence Standards for Outside Directors/Audit & Supervisory Board Members

The Company has established these “Independence Standards for Outside Directors/Audit & Supervisory Board Members” (hereinafter referred to as the “Standards”) as set forth below, with the aim of clarifying criteria for designating Outside Directors and Outside Audit & Supervisory Board Members of the Company (hereinafter collectively referred to as “Outside Executive(s)”) as Independent Directors/Audit & Supervisory Board Members.

1. The Company determines that an Outside Executive or a candidate for Outside Executive of the Company is independent of the Company if one or more of the following do not apply with respect to the Outside Executive or the candidate for Outside Executive:

- i. The individual is currently or recently^{*1} (the same applies hereunder) affiliated with the Company or its subsidiaries (hereinafter collectively referred to as the “Group”);
- ii. The individual is currently or recently affiliated with a business partner of which the Group accounts for at least 2% of the business partner’s prior fiscal year consolidated net sales, or a business partner that accounts for at least 2% of the Company’s prior fiscal year consolidated net sales;
- iii. The individual holds at least 10% of the total number of outstanding shares of the Company as of the last day of the prior fiscal year, or the individual is currently or recently affiliated with a company or a corporate group that holds at least 10% of the total number of outstanding shares of the Company as of the last day of the prior fiscal year;
- iv. The individual is currently or recently affiliated with a company or a group of which the Group holds at least 10% of the total number of issued shares as of the last day of the prior fiscal year;
- v. The individual is currently or recently affiliated with an audit firm that conducts statutory audits of the Group;
- vi. The individual is currently or recently affiliated with a financial institution that is essential in enabling fund procurement of the Group, and is relied on to the extent that there is no substitute for the entity;
- vii. The individual currently or recently acts as a consultant, legal professional, accounting expert, or tax specialist who has received remuneration other than executive compensation exceeding 10 million yen directly from the Group during any one (1) business year of the past three (3) business years (in the case that such Individual receiving such remuneration is a corporation, association or other such body, then this refers to an individual belonging to such body);
- viii. The individual currently or recently acts as a trustee or other executor of business of an organization that has received contributions or grant funds exceeding 10 million yen from the Group during any one (1) business year of the past three (3) business years;
- ix. The individual acts as an executor of business of a company involved in mutual dispatch of directors and audit & supervisory board member to and from the Group, or;
- x. The individual is a relative within the second degree of kinship of, or a member of family cohabiting with, an individual as described in any of the aforementioned items (excluding individuals who are not in key^{*2} positions).

(Notes)

*1: “Recently” refers to a period of less than three (3) years from the date of an individual’s appointment as a Director or an Audit & Supervisory Board Member of the Company.

*2: An individual in a “key” position refers to an important employee of a respective company or business partner such as a director, an executive, an audit & supervisory board member and an executive officer, or an accounting auditor and a CPA or an attorney affiliated with respective audit firms and respective law firms.

2. If any of the circumstances set forth above in section 1 apply to an individual, that individual may still be designated as an Independent Director/Audit & Supervisory Board Member at the discretion of the Board of Directors or the Audit & Supervisory Board following deliberations of the Nomination and Compensation Committee.
3. Irrespective of whether or not any of the circumstances set forth above in section 1 apply, an Independent Director/Audit & Supervisory Board Member must not be in a situation that could be reasonably judged as one whereby the individual is unable to fulfill his or her duties as an Outside Executive acting in an independent capacity.
4. An Independent Director/Audit & Supervisory Board Member must endeavor to ensure ongoing adherence to the Standards until his or her resignation, and must promptly report matters to the Company in cases where he or she no longer maintains independence as set forth in the Standards.

[Attachment 3]

Basic Policies and Procedures for Determining Executive Compensation

1. Basic principles and procedures

- (1) Compensation for individual Directors is within a range determined by the General Meeting of Shareholders and decided by the Board of Directors following deliberation by the Nomination and Compensation Committee.
- (2) Compensation for individual Audit & Supervisory Board Members is based on a system separate from that for Directors and is within a range determined by the General Meeting of Shareholders and decided based on deliberation by the Audit & Supervisory Board. Consulting with the Nomination and Compensation Committee concerning the determination of compensation for Audit & Supervisory Board Members shall be regarding the adequacy and appropriateness of the total compensation level.
- (3) Compensation for individual Executive Officers is based on a system separate from that for Directors and Audit & Supervisory Board Members and is decided by the Board of Directors following deliberation by the Nomination and Compensation Committee.

2. Basic compensation policy

- (1) Executive Directors (Directors other than Outside Directors)
 - a. Compensation for Executive Directors shall be based on a scale designed to increase director motivation towards maximizing corporate value and focus on being linked to medium- to long-term shareholder profit.
 - b. Compensation for Executive Directors shall be comprised of fixed compensation commensurate to respective duties and performance-linked compensation (short-term performance-linked compensation, medium- to long-term performance-linked compensation).
 - c. Short-term performance-linked compensation shall be paid based on consolidated performance for the given fiscal year as well as based on department performance and the Director's level of contribution to said department. The standard for short-term performance-linked compensation to Executive Directors shall be a maximum of 50% of fixed compensation for said Director, with the lower limit being no compensation provided.
 - d. Medium- to long-term results-linked remuneration may include restricted stock and other stock-linked compensation.
- (2) Outside Directors
 - a. In light of the purpose of Outside Directors being to provide management supervision and advice from an independent perspective, compensation for Outside Directors shall be based solely on fixed compensation.
 - b. Fixed compensation shall be commensurate to the responsibilities of an Outside Director and shall be determined based on consideration separately for full-time and part-time, and based on the roles of each individual.
- (3) Audit & Supervisory Board Members
 - a. In light of the position of Audit & Supervisory Board Members to audit business operations by Directors regardless of corporate performance, compensation for Audit & Supervisory Board Members shall be based solely on fixed compensation.
 - b. Fixed compensation shall be commensurate to the responsibilities of an Audit & Supervisory Board Member and shall be determined based on consideration separately for full-time and part-time, and based on the roles of each individual.
- (4) Executive Officers
 - a. Compensation for Executive Officers shall be set to provide strong motivation to execute business and shall be linked to performance.
 - b. Compensation for Executive Officers shall be comprised of fixed compensation commensurate to respective duties and performance-linked compensation (short-term performance-linked compensation, medium- to long-term performance-linked compensation).
 - c. Short-term performance-linked compensation shall be paid based on consolidated performance for the given fiscal year as well as based on department performance and the Executive Officer's level of contribution to said department.

- d. Medium- to long-term results-linked remuneration may include restricted stock and other stock-linked compensation.

3. Performance evaluation benchmarks

Performance evaluations for Executive Directors and Executive Officers shall be based on the level of contribution to the relevant department for a given consolidated fiscal year as well as the level of achievement for targets such as sales revenue, pre-amortization income for a given year and relevant benchmarks rate of increase/decrease compared to the previous fiscal year. Furthermore, benchmarks shall be determined based on an evaluation of initiatives promoting long-term corporate growth, including the development of internal control systems, compliance, and human resource development.

4. Other

- (1) There is no retirement allowance system for Directors, Audit & Supervisory Board Members, and Executive Officers. However, this may not be the case in the event of special circumstances, including when a subsidiary joining the Group via corporate acquisition has an existing retirement allowance system and when such a system is deemed necessary.
- (2) In addition to this "Basic Policies and Procedures for Executives Compensation," the Company also provides disclosure via appropriate methods concerning compensation paid to Directors and Audit & Supervisory Board Members. The Company shall disclose the amount of compensation paid to Directors and Audit & Supervisory Board Members of the Company in an appropriate manner as well as these policies and procedures.

[Attachment 4]

Training Policy for Directors and Audit & Supervisory Board Members

The Company has established the Training Policy for Directors and Audit & Supervisory Board Members as described below with the aim to have our executives fulfill their duty, including legal responsibilities as well as those entrusted by shareholders.

1. Newly appointed Directors/Audit & Supervisory Board Members (including Outside Directors and Outside Audit & Supervisory Board Members; the same applies hereinafter) are provided explanations concerning the following Group matters within approximately two months of appointment, by the Company's Representative Director and President, a Director and/or an Executive Officer of the Company or the Company's subsidiary (hereinafter referred to as "the Group").
 - (1) Trends in our business and environment
 - (2) The Group's history, management philosophy and business overview
 - (3) The Group's management strategies, medium- to long-term business plan, budget plan
 - (4) The Group's managing status and financial health
 - (5) The Group's corporate governance system, internal control policies and organizational operation structure
 - (6) Other important matters pertaining to the Group
2. Depending on the experience and knowledge of the newly appointed Director or Audit & Supervisory Board Member, the Company will provide training opportunities related to the following matters and will provide support for expenses related to said training.
 - (1) Finance/accounting, corporate finance
 - (2) Laws and regulations related to Companies Act, corporate governance
 - (3) Compliance
 - (4) Other content the Representative Director and President have deemed to be a requirement
3. In particular, persons who are promoted from within the Company to the position of Director (those other than Outside Directors) will be provided training opportunities focusing on the following matters to develop their skills and qualifications, in addition to provide explanations, as necessary, on each of the matters under paragraph 1, training opportunities as noted in paragraph 2. The company will provide support for expenses related to training.
 - (1) Business management conceptualization from the perspective of Company-wide and Group-wide management
 - (2) More advanced leadership and implementation skills
4. Additionally, the Company will provide appropriate training opportunities during the term of appointment for the Director/ Audit & Supervisory Board Member to constantly update the knowledge used in his/her respective role. Furthermore, the Company will provide support for expenses related to training.
5. Training opportunities noted in paragraphs 2 to 4 refer to those designated by the Company's Representative Director and President or the Director in charge of HR and General Affairs.