

Last Update: December 23, 2024

Focus Systems Corporation

Mori Keiichi, President and Representative Director

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Securities Code: 4662

<https://en.focus-s.com>**The status of corporate governance of Focus Systems Corporation (the "Company") is as follows:****Basic Stance on Corporate Governance, Shareholder Composition, Company Data, and Other Basic Information****1. Basic Stance**

We will build a management system with transparency and fairness in order to respond to the trust of stakeholders such as customers, shareholders, business partners, and employees, and to achieve sustainable growth and medium- to long-term corporate value enhancement.

In addition, we will make prompt and decisive decisions in response to changes in the business environment, while strengthening supervisory functions and striving to enhance corporate governance.

The Basic Policy on Corporate Governance we have established is available on our website.

About Focus Systems (Corporate Governance): https://en.focus-s.com/sustainability/corporate_codeofconduct/corporategovernancepolicy

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

(*) This report is based on the revised Corporate Governance Code issued in June 2021.

[Supplementary Principle 1.2.3 Exercise of Shareholder Rights at General Meetings of Shareholders]

In determining dates of General Meetings of Shareholders, we take into consideration the fact that we wish to carefully process our financial closing procedures while allowing sufficient time for the preparation of statutory documents and audits, as well as of the period of time required for the convocation procedures. We do not have a particular intention to hold General Meetings of Shareholders on dates when most other companies hold their Ordinary General Meeting of Shareholders.

[Principle 1.4 Cross-Shareholdings]

<Standards and basic views on classification of investment shares>

We classify investment shares held solely for the purpose of gaining profit from fluctuations in values of shares or receipt of dividends as "Investment shares held purely for investment purposes," and all other investment shares as "Cross-Shareholdings."

<Shareholding policy and method of verifying the reasonableness of shareholding, as well as details of the verification conducted by Board of Directors meetings, etc., of the appropriateness of shareholding of individual issues>

The purpose of our cross-shareholdings is to strategically hold listed shares that we consider to be beneficial and important for maintaining and strengthening cooperative relationships for the continuous development of our business, thereby enabling the companies in which we hold shares, as well as the Company, to enhance their medium- to long-term corporate value.

The process of decision-making on cross-shareholding and our policy for exercising voting rights thereof are as follows.

- (1) Decisions on cross-shareholdings, such as to newly acquire shares, purchase additional shares, continue holding the shares, or sell shares are made by the Board of Directors. Verification is conducted from the viewpoint of enhancing our medium- to long-term corporate value, constantly monitoring stock prices, analyzing the impact of falling stock prices, if any, to our financial condition, or the future viability of relevant companies in which we hold shares, taking into account our dividend and business policies as well as our capital costs, and other factors. Disclosure of the results of the verification is under consideration.
- (2) With respect to the exercise of voting rights, we make comprehensive and appropriate judgments based on considerations such as whether the proposal can be expected to increase corporate value or whether it will be detrimental to shareholder value.

[Supplementary Principle 2.3.1 Sustainability Issues, Including Social and Environmental Issues]

Based on the recognition that addressing sustainability issues is an important management issue that can lead to earning opportunities as well as risk mitigation, we are actively promoting technology development to solve social issues through the promotion of industry-academia collaboration initiatives, as well as initiatives to create workplaces for persons with disabilities.

As sustainability issues encompass a wide range of issues, including global environmental issues such as climate change, biodiversity, and human rights issues, we have also established a Sustainability Committee to examine and promote these issues in conjunction with the Board of Directors.

The Company is implementing concrete initiatives in line with the Basic Policy on Sustainability together with the Sustainability Promotion Policy, which sets out concrete action principles, by clarifying the key characteristics of our operations and social issues, defining the materialities of the Company, and investigating ways that we can take concrete action.

We remain committed to actively engaging on sustainability issues from the perspective of enhancing social value and boosting our corporate value over the medium to long term.

[Supplementary Principle 2.4.1 Securing Diversity, Including Active Participation of Women]

We believe that human resources are our most important management resource, and that promoting strategic initiatives to secure, develop, and improve retention rates of excellent human resources is highly essential.

Based on this belief, we are introducing a range of strategies to increase the percentage of women among new graduates joining us, actively promote mid-career hiring, and improve the retention rate of employees.

<Human resources development policy>

In order to develop human resources who can respond to the rapidly changing market, we provide a wide variety of training curricula to encourage self-development of employees, and to develop company employees equipped with superior knowledge, skills, judgment, and capability to develop plans and proposals.

Details of specific initiatives are available on our website.

Education: <https://en.focus-s.com/recruit/graduates/environment/education>

<Policy for improving the internal environment>

We aim to create a comfortable working environment based on one of the three pillars of our management vision, "We shall create a company where employees trust each other and work with a sense of assurance and satisfaction."

Principles around specific initiatives and details of concrete initiatives are outlined below.

○ Work-life balance

We aim to be a company that allows employees to choose a way of working that matches their individual lifestyles and life cycles regardless of gender or age, and that helps them balance work and life.

○ Diversity

We are working to create an environment where all employees with a wide variety of personalities and values can work with satisfaction and vitality.

With a focus on the continued employment of women and the ratio of women in managerial positions, we have established, and are working toward achieving, the following targets.

Target 1: Increase the proportion of women in Chief positions to at least 10% by the end of March 2028.

Target 2: Maintain a minimum of 35% of male employees taking leave for child-rearing purposes ("Childcare Leave" or our internal leave program, "Special Paternity Leave").

Target 3: Maintain a return rate of 90% or more for female employees after they have taken childcare leave. (Excluding, however, resignations due to external factors, such as transfer assignment of spouse)

<Initiatives to achieve targets>

1. Enhancement of education systems to achieve active participation of women

- Expansion of the lineup of seminars focusing on topics related to women's careers
- Distribution of e-learning sessions on women's health
- Review of the possible utilization of external counselors

2. Raising awareness within the company of the work-life balance support system (childcare and work)

- Introducing examples of male employees taking childcare leave
- Introduction of available work-life balance support systems and welfare services (e.g., review and dissemination of pamphlets for employees and managers)

○ Health management

We view employee health as a key organizational asset, and are actively committed to promoting the mental and physical health and well-being of all staff.

Other details of specific initiatives are available on our website.

Sustainability > Society: <https://en.focus-s.com/sustainability/social>

[Supplementary Principle 3.1.3 Full Disclosure]

Details of our sustainability initiatives are available on our website.

Sustainability: <https://en.focus-s.com/sustainability>

We believe that human resources are our most important management resource, and that promoting strategic initiatives to secure, develop, and improve retention rates of excellent human resources is highly essential. We will develop human resources crucial for achieving the Medium-Term Management Plan released last year, and promote initiatives to increase the percentage of females among new graduates joining us, actively promote mid-career hiring, and improve the retention rate of employees.

In addition, with regard to the impact of climate change-related risks and earning opportunities on the Company, we will analyze and examine the impact on the realization of our management plan based on the Basic Policy on Sustainability.

We will continue to explore ways to enhance disclosure, bearing in mind the principles of disclosure laid down in the Corporate Governance Code.

[Supplementary Principle 4.1.3 Roles and Responsibilities of the Board of Directors (1)]

As yet we do not have a documented process or set of standards in regards to succession planning for the President and Representative Director role. The Company, however, is experiencing tremendous change in the current environment, particularly with respect to the increasing utilization of IT and advent of advanced technologies coupled with an ongoing and widespread shortage of capable workers in the field. It is therefore a matter of the greatest urgency that we turn our attention to the formulation of succession plans and the implementation thereof for key roles within the Company such as President and Representative Director. In this situation, the Company's Nomination Advisory Committee is currently working to formulate a succession plan that includes the selection, development and evaluation of candidates having skills and experience commensurate with the role of President and Representative Director, along with details of associated concrete initiatives.

[Supplementary Principle 4.2.1 Roles and Responsibilities of the Board of Directors (2)]

Compensation of Directors (excluding Outside Directors) consists of Director's remuneration as the base compensation, Director's bonus as a short-term performance-linked compensation, and restricted stock compensation as a medium- to long-term incentive.

In the case of Director's bonuses, the target operating income for each fiscal year based on the medium-term management plan is used as a performance indicator to determine the payment ratio of Directors' bonuses as a whole in accordance with the degree of the Company's achievement of the target. The total amount of performance-based bonuses is submitted to the General Meeting of Shareholders for approval each year, and the allocation amount to each Director within the approved range is determined based on the degree of contribution of the Director to the Company's performance.

As for restricted stock compensation, in accordance with the approval of the 44th Annual General Meeting of Shareholders held on June 29, 2020, we established a restriction on the transfer of restricted stock for the period from the payment due date to the day of retirement or resignation from the position of Director or other positions determined by the Board of Directors of the Company, as well as a rule on the number of shares that can be granted to eligible Directors and the total amount of compensation that can be paid by the Company for that purpose. The total amount to be paid in by each individual and other relevant matters are determined by the Board of Directors every year. We have not established definitive rules on the composition ratio of each type of compensation in the Directors' (excluding Outside Directors) total compensation, from the viewpoint of ensuring that the composition ratio reflects the status of our business at the relevant point in time, and is set at levels that ensure they will be incentivized to resolutely implement various measures for improving medium- to long-term performance. However, we will explore setting definitive rules, in conjunction with designing a more appropriate remuneration system, such as by tasking the Compensation Advisory Committee established on April 1, 2021, to review and amend, as necessary, our management compensation policy.

[Supplementary Principle 4.2.2 Roles and Responsibilities of the Board of Directors (2)]

We redefined our approach and philosophy with regard to sustainability, and following deliberation by the Sustainability Committee, established our Basic Policy on Sustainability. Going forward, we intend to conduct detailed studies on sustainability issues based on our Basic Policy, from the perspective of enhancing corporate value over the medium to long term.

Bearing in mind the principles of the Corporate Governance Code revised in June 2021, we will exercise effective supervision of other items under these principles in the course of promoting business strategies and initiatives to resolve management issues, so as to ensure that they contribute to the sustainable growth of the Company.

[Principle 4.11 Preconditions for Ensuring the Effectiveness of the Board of Directors and Audit and Supervisory Board]

We limit the number of Directors to 15 and Audit and Supervisory Board Members to four, to provide an appropriate balance that enables both prompt decision-making and effective supervision and oversight of ongoing operations. In addition to appointing multiple Independent Outside Directors (four out of nine Directors), we appoint two Outside Audit and Supervisory Board Members (Independent Auditors) out of the four Audit and Supervisory Board Members, while taking into consideration the balance of knowledge, experience, and skills.

Given the nature of our business, we have people of varying ages and different levels of experience, including a high proportion of female employees. Even so, there is room for improvement in terms of diversity, particularly with respect to enhancing the performance of the Board of Directors. We remain committed to further improvement in this area.

In addition, we appoint two or more Audit and Supervisory Board Members with appropriate levels of knowledge in finance and accounting.

[Supplementary Principle 4.11.1 Preconditions for Ensuring the Effectiveness of the Board of Directors and Audit and Supervisory Board]

Currently, we have nine Directors with diverse knowledge, experience, and skills, four of whom are Outside Directors. We believe that active deliberation and prompt decision-making by the Board of Directors are essential in achieving sustainable growth and enhancing corporate value over the medium to long term. Based on this principle, we identify the skills that the Board of Directors would require to achieve the Medium-Term Management Plan, list the knowledge, experience, skills, etc., of the Board of Directors as a whole, and conduct appropriate reviews, including soliciting the opinion of the Nomination Advisory Committee.

The skills matrix prepared by the Company is available on the Company's website.

General Meeting of Shareholders: <https://en.focus-s.com/ir/library/meeting>

[Principle 5-2 Establishing and Disclosing Business Strategies and Business Plans]

We are addressing issues including the formulation of a basic capital policy and numerical targets; identifying cost of capital, as well as conducting a review of our business portfolio; and the allocation of management resources, including strategic and planned capital investment, research and development investment, and human resources investment, based on the identified cost of capital, which we have utilized in the formulation of the Medium-term Management Plan previously announced. We are, at the same time, exploring the delivery of detailed explanations thereon to our shareholders.

[Supplementary Principle 5.2.1 Establishing and Disclosing Business Strategies and Business Plans]

In establishing our business strategies and business plans, we set targets after giving due consideration to our cost of capital. However, we do not currently disclose indicators such as capital efficiency. We will continue to analyze indicator levels commensurate with our business characteristics, and carefully consider how to communicate this to our shareholders through repeated dialogue with them at financial results briefings and individual meetings.

We will also consider disclosure of the basic policy related to our business portfolio.

[Response Geared Toward Realization of Management Predicated on Capital Cost and Share Price] [Update on December 23, 2024]

The company's ROE (return on equity) has generally remained around 10%, exceeding our cost of shareholders' capital.

In the Medium-term Management Plan disclosed in May 2023, the Company set a target of ROE of 12% or more as one of the key performance indicators and has been working to enhance capital profitability..

For the next Medium-term Management Plan, the Company will strive to formulate a management plan that places even greater focus on improving capital profitability.

For details on the current Medium-term Management Plan, please refer to here.

https://www.focus-s.com/company/20230512_middle_term_business_plan-E.pdf

[Disclosure Based on the Principles of Corporate Governance Code]

[Principle 1.7 Related Party Transactions]

The Regulations of the Board of Directors provide that we shall obtain the prior approval of the Board of Directors in the event that we conduct transactions with our officers or major shareholders (transactions between related parties) to ensure that such transactions do not harm the interests of the Company or common interests of our shareholders, nor raise any such concerns.

[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]

As we have adopted a defined contribution pension plan (DC) and do not manage the reserves of corporate pension funds, there is no financial impact to the Company in this regard. In addition, we strive to develop administrative staff acting as the contact point for pensions, and to enhance fund management skills of employees through e-learning, etc.

[Principle 3.1 Full Disclosure] 3.1 i)

Our management philosophy and Medium-Term Management Plan, etc., are disclosed on the following websites.

Management Philosophy: <https://en.focus-s.com/company/philosophy>

Medium-Term Management Plan: https://en.focus-s.com/company/20230512_middle_term_business_plan-E.pdf

Corporate Code of Conduct: https://en.focus-s.com/sustainability/corporate_codeofconduct

3.1 ii)

Our basic philosophy and basic policy on corporate governance are disclosed on our website.

Corporate Governance: https://en.focus-s.com/sustainability/corporate_governance

3.1 iii)

For details on the determination of remuneration of our Directors, please refer to [Incentive] [Directors' remuneration] in "II-1. Matters Concerning Organizational Form and Organizational Management" of this report.

3.1 iv)

The outline of our policy and procedures for nomination of candidates for Directors and Audit and Supervisory Board Members is as follows:

- Nomination policy

In order to achieve sustainable improvement of the Company's corporate value, the Company shall select, from a wide range of diverse human resources, individuals who satisfy the nomination criteria set by the Company, and shall give consideration to the balance of skills and knowledge of all officers when making a nomination.

- Nomination procedures

The President and Representative Director shall prepare a draft proposal of the candidates based on the nomination policy and the nomination criteria, and shall consult with the Nomination Advisory Committee.

The Nomination Advisory Committee shall deliberate on whether the draft proposal has been appropriately prepared in accordance with the nomination criteria and the selection process, and report the results thereof to the Board of Directors.

The Board of Directors shall deliberate on the matter based on the report of the Nomination Advisory Committee, and decide on the candidates to be presented to the General Meeting of Shareholders for approval.

- Procedures for appointing senior management members

The President and Representative Director shall prepare a draft list of senior management member candidates from among the Directors elected at the General Meeting of Shareholders, possessing experience, skills, leadership, medium- to long-term vision, and

high ethical standards suitable for a person to assume the role of supervising management decision-making and business execution, and present this list for consultation with the Nomination Advisory Committee. The Nomination Advisory Committee shall deliberate on the draft list and report the results thereof to the Board of Directors. The Board of Directors shall then deliberate and decide on the senior management members based on the report of the Nomination Advisory Committee.

3.1 v)

Explanations regarding the nomination of candidates for Directors and Audit and Supervisory Board Members are provided on our website. General Meeting of Shareholders: <https://en.focus-s.com/ir/library/meeting>

[Supplementary Principle 4.1.1 Roles and Responsibilities of the Board of Directors (1)]

The current corporate governance system is described in "II-2. Matters Concerning Business Execution, Audit and Supervision, Nomination, Remuneration and Other Functions" of this report.

Our Organizational Regulations stipulate our organizational structure for corporate governance, and the Board of Directors, as the decision-making body for our business management, deliberates and decides on statutory matters, as well as deciding or approving basic management policies and important matters related to the execution of business operations, and supervises the status of business execution.

In addition, the Regulations on Delegation of Authority define the duties of Directors according to their positions, and specifically stipulate which matters are to be decided and approved by Directors and the Board of Directors, and which matters are to be reported to Directors and the Board of Directors.

[Principle 4.9 Independence Standards and Qualification for Independent Outside Directors]

Please refer to II-1. Matters Concerning Organizational Form and Organizational Management of this report.

[Supplementary Principle 4.10.1 Use of Optional Approach]

We have established the Nomination Advisory Committee and the Compensation Advisory Committee. For details, please refer to "II-1. Matters Concerning Organizational Form and Organizational Management" of this report.

[Supplementary Principle 4.11.2 Preconditions for Ensuring the Effectiveness of the Board of Directors and Audit and Supervisory Board]

No concurrent positions in other listed companies are held by either Directors (including Outside Directors) or Audit and Supervisory Board Members (including Outside Audit and Supervisory Board Members).

The status of concurrent positions held by Outside Directors and Outside Audit and Supervisory Board Members in other listed companies, as of the end of our most recent fiscal year, is as stated in "Matters concerning Directors and Audit and Supervisory Board Members" in the convocation notice of the Ordinary General Meeting of Shareholders for the relevant fiscal year, which is available on the Company's website.

The status of concurrent positions held by Directors and Audit and Supervisory Board Members in other listed companies is as stated in "Matters concerning Directors and Audit and Supervisory Board Members" in the convocation notice of the Ordinary General Meeting of Shareholders for the relevant fiscal year, which is available on the Company's website.

[Supplementary Principle 4.11.3 Preconditions for Ensuring the Effectiveness of the Board of Directors and Audit and Supervisory Board]

In order to clarify the roles and responsibilities to be performed by the Board of Directors, and to identify and visualize issues, and ensure the effectiveness of the Board of Directors through improvement of such issues, the Board of Directors analyzes and evaluates the status of operations, etc., of the Board of Directors with the support of external organizations. The following is a summary of the results for the fiscal year ended March 31, 2024.

1. Method of Evaluation

Subject persons: Directors and Audit and Supervisory Board Members (12 in total)

Period: September 25 to October 10, 2023

Format: Self-evaluation method (anonymous questionnaire) with third-party involvement commissioned to an external organization

2. Outline of Evaluation

(1) Details of evaluation method

A five-point scale and open-ended questions (40 questions in 12 categories)

<Categories>

- | | | | |
|--------------------------------------|--|---|---------------------------------------|
| a. How Board of Directors should be | d. Deliberations within Board of Directors | g. Performance of Outside Directors | j. Dialog with shareholders/investors |
| b. Composition of Board of Directors | e. Monitoring role of Board of Directors | h. Support system for Directors and Audit and Supervisory Board Members | k. Individual initiatives |
| c. Management of Board of Directors | f. Performance of Inside Directors | i. Training | l. Overall |

(2) Summary of evaluation results

The questionnaire results indicated that the Board of Directors meets the suitability requirements as per the questions on factors such as composition and management thereof. Opinions were generally positive in relation to matters such as the distribution of documentation in advance and communication with committees. On this basis, the Board of Directors is adjudged to be effective.

With regards to the lack of engagement in debate and discussion, identified as an issue in the previous effectiveness evaluation, there has been some improvement, through closer coordination of relevant information with Directors and Audit and Supervisory Board Members, particularly in relation to important issues. Nevertheless, there remains room for further improvement.

Further issues were clarified with respect to conducting meetings to achieve a more effectively functioning Board, and with respect to improving individual performance by optimizing the workplace environment and conditions.

Going forward, our Board of Directors will take prompt action following due consideration of the issues identified from the effectiveness evaluation, and continue to promote initiatives to enhance the functions of the Board of Directors.

[Supplementary Principle 4.14.2 Training for Directors and Audit and Supervisory Board Members]

Our basic principle is for Directors and Audit and Supervisory Board Members to acquire the knowledge and skills that they need through self-development. We support the cost of training sessions, etc., as well as providing information on training sessions, etc., as necessary.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

Our policy for the development of systems and initiatives to promote constructive dialogue with our shareholders, etc., is as follows.

- (i) We have established specialized departments (IR Office and Public Relations Office) to promote constructive dialogue with our shareholders.
- (ii) In addition to strengthening cooperation by placing the department responsible for IR and the department responsible for accounting on the same floor, we have enhanced the sharing of IR information with other IR-related departments.
- (iii) For institutional investors, we hold financial results briefing sessions on business results, etc., when we conduct our year-end closing, and actively respond to requests for individual dialogue (interviews).
As for individual investors, we provide opportunities for dialogue by holding briefing sessions for individual investors, and actively respond to inquiries made via the form on our website.
- (iv) We report opinions, requests, concerns, etc., received from shareholders to the Board of Directors on a regular basis, in addition to responding appropriately and taking other actions as necessary. We also share and utilize the information with management and other internal organizations as necessary.

- (v) With regard to the management of insider information, in addition to ensuring daily management based on the ISMS, we also establish "quiet periods" for IR activities.

2. Shareholder Composition

Percentage of shares held by foreign shareholders	Less than 10%
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[Status of Major Shareholders] Updated

Name or trade name	Number of shares held	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,769,300	11.70
FRONTEO, Inc.	900,000	5.95
Focus Systems Employee Shareholders Association	670,500	4.43
State Street Bank and Trust Client Omnibus Account OM02 505002	659,200	4.36
Custody Bank of Japan, Ltd. (Trust Account)	495,800	3.27
Hatayama Yoshifumi	450,900	2.98
The Dai-ichi Life Insurance Company, Limited	400,000	2.64
Sumitomo Mitsui Banking Corporation	340,000	2.24
Mori Keiichi	269,800	1.78
Miura Hiroyuki	241,400	1.59

Has a controlling shareholder (excluding parent company)	----
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Has a parent company	No
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Supplementary Explanation Updated

- On October 11, 2011, the Company submitted a Large Shareholding Report for the repurchase of its own shares.
- On October 1, 2015, the Company conducted a stock split by splitting one (1) share of common stock into two (2) shares.
- In addition to the above, the Company holds 1,185,662 shares of treasury stock.
- The ratio of the number of shares held to the total number of shares issued is calculated by subtracting the number of treasury shares from the number of shares issued.
- The Large Shareholding Report released for public perusal on December 6, 2024, lists the FMR LLC shareholding as at November 29, 2024, as shown below.
Since the Company has been unable to confirm the actual number of shares owned as of September 30, 2024, however, it is omitted from the above-mentioned Status of Major Shareholders.
The Large Shareholding Report is detailed below.

Name or trade name	Number of stocks or shares owned	Holding ratio (%)
FMR LLC	1,264,078	7.76

3. Company Data

Stock listings and market	Tokyo Stock Exchange Prime section
Fiscal year-end	March
Business type	Information and communications business
Number of employees (consolidated) at the end of the most recent fiscal year	More than 1,000
Net sales (consolidated) in the most recent fiscal year	More than 10 billion yen but less than 100 billion yen
Number of consolidated subsidiaries at the end of the most recent fiscal year	Less than 10 companies

4. Policy Concerning Protection of Minority Interests When Transacting with Controlling Shareholders

5. Other Special Circumstances That Could Materially Affect Corporate Governance

// Management Organization and Other Corporate Governance Systems Concerning Management Decision-making, Execution, and Supervision

1. Matters Concerning Organizational Form and Organizational Management

Organizational form	Company with Audit and Supervisory Board Members
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[Directors]

Number of Directors under the Articles of Incorporation	15
Term of office of Directors under the Articles of Incorporation	2 years
Chairperson of the Board of Directors	President
Number of Directors	9
Appointment of Outside Directors	Yes
Number of Outside Directors	4
Number of Outside Directors Designated as Independent Directors	4

Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Yamaguchi Toshihiko	From another company											
Seo Sadataka	Certified public tax accountant								△			▲
Araya Mayumi	Lawyer											
Akiyama Erika (registered name: Mochizuki Erika)	Academic										△	

* Choices regarding the relationship with the Company

* "○" when the category applies to the Director currently or recently; "△" when the category applied to the Director in the past

* "●" when the category applies to a close relative of the Director currently or recently; "▲" when the category applied to a close relative of the Director 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 a fellow subsidiary 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 sum of money or other property from the Company in addition to compensation as a Director or Audit and Supervisory Board Member

g Major shareholder of the Company (if the major shareholder is a corporation, an executive of that corporation)

h Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the said executive only)

i Executive of a company with which the Company has a relationship of mutual appointment for outside directors and outside audit and supervisory board members (the said executive only)

j Executive of a company receiving donations from the Company (the said executive only)

k Others

Name	Independent Director	Supplementary explanation of applicable items	Reason for the appointment
Yamaguchi Toshihiko	○	----	Mr. Yamaguchi has been engaged in the operation and management of organizations for many years as an SDF officer. His abundant experience and broad insight make him suitable for monitoring and supervising corporate governance from an objective perspective as an Outside Director. As the head of the Nomination Advisory Committee, he provides oversight over decision-making processes in relation to important matters pertaining to the nomination of directors. He is in an independent position, and has been designated as an Independent Director as he is judged to have no conflicts of interest with our general shareholders.
Seo Sadataka	○	From 2013 to 2018, the Company had a contract with Mr. Seo as an advisory certified public tax accountant, but the contract has been terminated upon his appointment as an Outside Director. Mr. Seo's father (Mr. Seo Mitsunari) was appointed as an Outside Audit and Supervisory Board Member from 1990 to 2012.	Mr. Seo has a high level of specialized knowledge and experience in accounting, tax, and finance, which he has cultivated as a certified public tax accountant. We expect he will provide objective and appropriate advice on the Company's management. As the head of the Compensation Advisory Committee, he provides oversight over decision-making processes in relation to important matters pertaining to the remuneration of directors. He is in an independent position, and has been designated as an Independent Director as he is judged to have no conflicts of interest with our general shareholders.
Araya Mayumi	○	----	Ms. Araya has been engaged in a number of areas including compliance, risk management, labor, and diversity in her career, engaging mainly in corporate legal affairs and civil cases as a lawyer. She is qualified to monitor and supervise the Company's management from an objective perspective based on her abundant and diverse experience and broad insight. She is in an independent position, and has been designated as an Independent Director as she is judged to have no conflicts of interest with our general shareholders.
Akiyama Erika (registered name: Mochizuki Erika)	○	The Company donated 2 million yen to the Fujimura Gakuen school, of which Akiyama Erika is a director, in FY2021, and another 2.5 million yen in FY2022. In light of the size of these donations, there is not considered to be any danger of influence on decision-making in regards to shareholders and investors.	Ms. Akiyama boasts a wealth of experience and expertise in personnel development, diversity, sport and health, and risk management through many years serving as an educator and in school management. She brings an objective and independent perspective to oversight of the management of the Company. She is in an independent position, and has been designated as an Independent Director as she is judged to have no conflicts of interest with our general shareholders.

Voluntary Establishment of Committees Corresponding to a Nomination Committee or Compensation Committee

Yes

Details of Establishment and Composition of the Committee, and Attributes of the Chairperson

	Name of Committee	Number of Committee Members	Number of Full-time Members	Number of Inside Directors	Number of Outside Directors	Number of Outside Experts	Number of Other Members	Chairperson
Any Committee Equivalent to a Nominating Committee	Nomination Advisory Committee	5	0	2	3	0	0	Outside Director
Any Committee Equivalent to a Compensation Committee	Compensation Advisory Committee	5	0	2	3	0	0	Outside Director

We established the Nomination Advisory Committee and the Compensation Advisory Committee under the Board of Directors on April 1, 2021, with the aim of strengthening the independence, objectivity, and transparency of the functions of the Board of Directors in relation to the nomination and compensation of Directors and Audit and Supervisory Board Members, as well as enhancing corporate governance.

The Board of Directors consults with each advisory committee in accordance with the rules established for each, and makes final decisions on each agenda item, respecting the reports received from the committees.

The outline of the Advisory Committees is as follows:

1. Appointment of Members

The members of the Nomination Advisory Committee and the Compensation Advisory Committee are determined by resolution of the Board of Directors, based on the principle that the majority of the members should be Independent Outside Directors. The chairperson of each committee is appointed from among the members who are Independent Outside Directors by resolution of the members of the committee.

2. Roles of Members of Each Committee

(1) Roles of Members of the Nomination Advisory Committee

Consultation on overall matters stipulated in the Nomination Advisory Committee Regulations, such as matters concerning the determination or election of candidates for Directors

(2) Roles of Members of the Compensation Advisory Committee

Consultation on overall matters stipulated in the Compensation Advisory Committee Regulations, such as matters concerning the determination of remuneration for Directors

3. Status of Activities of Advisory Committees (Frequency of Meetings, Main Agenda Items, Attendance of Individual Members, etc.)

(1) Nomination Advisory Committee

The committee met six times a year, based on the annual plan.

The main agenda items were succession planning, implementation of a skills matrix and a Board of Directors effectiveness assessment, and deliberations that took place in response to consultation from the Board of Directors on topics including evaluation of the assessment results.

The attendance rate of the members of the Committee at the six meetings was 100%.

(2) Compensation Advisory Committee

The committee met five times a year, based on the annual plan.

Deliberations took place in response to consultation from the Board of Directors on the main agenda items, which were centered on an analysis and review of current remuneration for directors, using an external survey.

The attendance rate of the members of the Committee at the five meetings was 100%.

4. Details of Establishment of the Secretariat Office and its Size

The secretariat office is established in the General Affairs Division of the Administration Headquarters, and has a staff of three employees who serve concurrently on multiple committees.

[Audit and Supervisory Board Members]

Establishment of Board of Audit and Supervisory Board	Yes
Number of Audit and Supervisory Board Members under the Articles of Incorporation	4
Number of Audit and Supervisory Board Members	4

Cooperation among Audit and Supervisory Board Members, the Financial Auditor, and the Internal Auditor's Office

The Audit and Supervisory Board conducts interviews with the auditing firm appointed as the Financial Auditor to ascertain their auditing method, and assesses the appropriateness of their audit at the time of the audit of each quarterly closing and the year-end closing.

The Internal Auditor's Office receives the audit plan of the Audit and Supervisory Board prepared after the General Meeting of Shareholders. Thereafter, upon request from the Audit and Supervisory Board, the Internal Auditor's Office reports on the status of its activities, mainly focusing on the system for monitoring the legality of operations.

Appointment of Outside Audit and Supervisory Board Members	Yes
Number of Outside Audit and Supervisory Board Members	2
Number of Outside Audit and Supervisory Board Members Designated as Independent Audit and Supervisory Board Members	2

Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Sugiyama Masahiro	From another company													
Matsubara Yoko	Certified public tax accountant													

* Choices regarding the relationship with the Company

* "○" when the category applies to the Audit and Supervisory Board Member currently or recently; "△" when the category applied to the Audit and Supervisory Board Member in the past

* "●" when the category applies to a close relative of the Audit and Supervisory Board Member currently or recently; "▲" when the category applied to a close relative of the Audit and Supervisory Board Member in the past

a Executive of the Company or its subsidiaries

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 and Supervisory Board Member of the parent company of the Company

e Executive of a fellow subsidiary 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 sum of money or other property from the Company in addition to compensation as a Director or Audit and Supervisory Board Member

i Major shareholder of the Company (if the major shareholder is a corporation, an executive of that corporation)

j Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the said executive only)

k Executive of a company with which the Company has a relationship of mutual appointment for outside directors and outside audit and supervisory board members (the said executive only)

l Executive of a company receiving donations from the Company (the said executive only)

m Others

Relationship with the Company (2)

Name	Independent Director/Audit and Supervisory Board Member	Supplementary explanation of applicable items	Reason for the appointment
Sugiyama Masahiro	○	----	Mr. Sugiyama has abundant experience and broad insight gained through many years of involvement in product development, sales and marketing, etc., in the IT industry, and is qualified to serve as an Outside Audit and Supervisory Board Member. He is in an independent position, and has been designated as an Independent Audit and Supervisory Board Member as he is judged to have no conflicts of interest with our general shareholders.
Matsubara Yoko	○	----	Ms. Matsubara has a high level of specialized knowledge and experience in accounting, tax, and finance, which she has cultivated as a certified public tax accountant. As such she will be able to provide objective oversight and advice on the Company's management. She is in an independent position, and has been designated as an Independent Audit and Supervisory Board Member as she is judged to have no conflicts of interest with our general shareholders.

[Independent Directors/Audit and Supervisory Board Members]

Number of Independent Directors/Audit and Supervisory Board Members

6

Other matters related to Independent Directors/Audit and Supervisory Board Members

In order to ensure the independence of the Company's Outside Directors and Outside Audit and Supervisory Board Members, we established our own independence standards, which are in accordance with the standards set by the Tokyo Stock Exchange, at the Board of Directors' meeting held in February 2022. The candidates for Outside Directors and Outside Audit and Supervisory Board Members are appointed in accordance with these standards.

[Incentives]

Status of implementation of measures to grant incentives to Directors

Introduction of performance-linked compensation system

Supplementary explanation of applicable items

The amount of remuneration for Directors of the Company was approved at the 24th Ordinary General Meeting of Shareholders, held on June 29, 2000, as not exceeding 30 million yen per month (excluding the employee portion of remuneration for Directors who concurrently serve as employees). However, at the 44th Ordinary General Meeting of Shareholders, held on June 29, 2020, alongside the abolition of the retirement benefit system for Directors, approval was obtained for newly granting restricted stock compensation to Directors (excluding Outside Directors; hereinafter, "eligible Directors"), separately from the abovementioned compensation framework, with a view to incentivize them to sustainably enhance the Company's corporate value, as well as to promote the further sharing of values with shareholders.

The total amount of monetary compensation paid to eligible Directors for the granting of restricted stock shall not exceed 20 million yen per year, and the total number of the Company's common stock issued or disposed of through the granting of restricted stock shall not exceed 26,000 shares per year. The specific allocation to each eligible Director is determined by the Board of Directors.

Persons eligible for the granting of stock option

Supplementary explanation of applicable items

[Directors' Compensation]

Disclosure of compensation for individual Directors

Individual compensation is not disclosed.

Supplementary explanation of applicable items

The total annual compensation paid to the Company's Directors for the fiscal year ended March 31, 2024, was 233.557 million yen, of which 18 million yen was paid to Outside Directors. The total annual compensation for the Audit and Supervisory Board Members of the Company was 23.04 million yen, of which 7.2 million yen was for Outside Audit and Supervisory Board Members. There are no persons who meet the individual disclosure standards (total amount of consolidated compensation, etc., of 100 million yen or more) prescribed by the Cabinet Office Order on Disclosure of Corporate Affairs

Has a policy for determining the amount of compensation or its calculation method

Yes

Details of policy on determining the amount of compensation or its calculation method

1. Basic policy

The basic policy on compensation for the Company's Directors (excluding Outside Directors) is to establish a compensation system aimed at enhancing the Company's corporate value in a sustainable manner within an industry of rapid technological innovation and changes in the market environment, and drive their motivation to contribute to the improvement of medium- to long-term business performance, as well as to set compensation of individual Directors at appropriate levels based on their respective responsibilities. For clarity, compensation consists of Directors' remuneration as the base compensation, Directors' bonus as short-term performance-linked compensation, and restricted stock compensation as medium- to long-term incentive. In addition, in light of their responsibilities and from the viewpoint of ensuring a high degree of independence, we pay only base compensation to Outside Directors who are responsible for supervisory functions, without linking their compensation to business performance. When determining the details of Directors' compensation, etc., we consult the Compensation Advisory Committee on the draft of the proposed compensation in order to enhance transparency and fairness, and the Board of Directors makes the final decision while respecting the details of the outcomes of these deliberations and reports.

2. Policy on determining the amount of compensation, etc., of basic remuneration (monetary compensation) for each individual

The base remuneration of the Company's Directors is a fixed monthly remuneration not exceeding the upper limit of the remuneration approved at the 24th Ordinary General Meeting of Shareholders held on June 29, 2000 (30 million yen per month (excluding employee salaries for Directors who concurrently serve as employees)), and is determined by resolution of the Board of Directors in consideration of the Director's position, responsibility, and degree of contribution, as well as the Company's performance.

3. Policy on determining the details and method of calculation of the amount or the numbers of performance-linked compensation and non-monetary compensation, etc.

- In order to encourage improvement of business performance for each fiscal year, the amount of performance-linked compensation, etc., as bonus for Directors (total amount) is calculated based on the degree of achievement of the performance indicator (target operating income for each fiscal year based on the Medium-term Management Plan), and is submitted to the General Meeting of Shareholders for approval every year. Bonuses are paid in July every year upon determination of the Board of Directors, within the

determined range, and based on the degree of contribution of each Director to the Company performance.

- (2) Non-monetary compensation, etc., comprises restricted stock granted to provide an incentive for the sustainable improvement of the Company's corporate value and to share the value with shareholders. In accordance with the Restricted Stock Compensation Regulations, restricted Company's common stock is granted to eligible persons once a year by resolution of the Board of Directors. In accordance with the approval of the Company's 44th Ordinary General Meeting of Shareholders held on June 29, 2020, transfer of restricted stock for the period from the payment due date to the day of retirement or resignation from the position of Director, or other positions determined by the Board of Directors of the Company, is restricted. In addition, the number of shares that can be granted to eligible Directors shall not exceed 26,000 shares per year, and the total amount of compensation paid by the Company for that purpose shall not exceed 20 million yen per year. The eligible Directors are required to contribute in kind all of the monetary compensation receivables pertaining to these shares, and receive the issuance or disposition of these shares in accordance with the resolution of the Board of Directors. The amount to be paid in per share is determined by the Board of Directors within a range that is not particularly advantageous to the eligible Directors receiving the shares.

4. Policy on determining the amount of monetary compensation, amount of performance-linked compensation, etc., or ratio of non-monetary compensation, etc., to the amount of compensation, etc., for individual Directors

We have not established definitive rules on the composition ratio of each type of compensation in the Directors' (excluding Outside Directors) total compensation, as we intend to conduct an overall assessment of the best composition ratio to ensure Directors will be incentivized to implement various measures for improving medium- to long-term performance with determination.

5. Matters concerning determination of the details of compensation, etc., for individual Directors

With respect to the allocation of the amount of compensation to individual Directors, bearing in mind the range of the total amount approved by the General Meeting of Shareholders, and the Board of Directors shall consult with the Compensation Advisory Committee and make a decision based on the approval thereof while respecting the details of the outcomes of these deliberations and reports.

[Support system for Outside Directors (Outside Audit and Supervisory Board Members)]

To enable Outside Directors and Outside Audit and Supervisory Board Members to obtain information on the Company in a timely and appropriate manner and make appropriate and objective decisions, the Director-in-charge of Administration Headquarters and full-time Audit and Supervisory Board Members serve as the respective contact points, and distribute materials for meetings in advance, as well as implementing and arranging various communications and coordination.

[Details of Retired President and Representative Directors, etc.]

Name, etc., of retired President and Representative Director, etc., serving as consultants/advisors, etc.

Name	Job title/ Position	Job description	Working arrangement/terms (permanent or part-time, paid or unpaid, etc.)	Date of retirement as President, etc.	Term of office
Higashi Mitsuhiro	Advisor	He continues to provide useful advice to the Company based on his long experience in steering the Company's management, deep understanding of the Company, and extensive personal connections within the industry and with customers.	With compensation	----	----
Ishibashi Masatoshi	Advisor	He continues to provide useful advice to the Company based on his long experience in steering the Company's management, deep understanding of the Company, and extensive personal connections within the industry and with customers.	With compensation	----	----

Total number of senior consultants/advisers, etc., who previously served as President and Representative Director, etc.

2

Other matters Updated

There are currently two advisors who have previously served in the role of President and Representative Director. The total amount paid to them in the 48th term, including one who retired as of June 30, 2024, was 20.5 million yen.

2. Matters Concerning Business Execution, Audit and Supervision, Nomination, Remuneration and Other Functions (Overview of Current Corporate Governance System)

The Company is a company with Audit and Supervisory Board, and in addition to the General Meeting of Shareholders and the Board of Directors, we have established an Audit and Supervisory Board and appointed a Financial Auditor as part of its company organization.

1. Board of Directors

As at the conclusion of the 48th Ordinary General Meeting of Shareholders held on June 27, 2024, the Board of Directors consists of nine directors (with four Outside Directors). In addition to regular meetings of the Board of Directors held at least once a month, extraordinary meetings of the Board of Directors are convened as needed.

The Board of Directors, as the decision-making body for the Company's business management, deliberates and decides on statutory matters, decides or approves basic management policies and important matters related to the execution of business operations, and supervises the status of business execution.

In addition, the Board of Directors is attended by Audit and Supervisory Board Members, who monitor the status of business execution by directors. The status of attendance at meetings of the Board of Directors for the fiscal year ended March 31, 2024, was as follows:

Mori Keiichi	Inside Director	22 / 22
Miura Hiroyuki	Inside Director	22 / 22
Muroi Makoto	Inside Director	22 / 22
Goto Makoto	Inside Director	22 / 22
Suzuki Takahiro	Inside Director	22 / 22
Yamaguchi Toshihiko	Outside Director	22 / 22
Seo Sadataka	Outside Director	21 / 22
Araya Mayumi	Outside Director	22 / 22

2. Nomination Advisory Committee / Compensation Advisory Committee

The details are as described in [Details of Establishment, Composition, and Attributes of the Chairperson].

3. Governance Committee / Sustainability Committee

The Governance Committee examines important governance issues in the Company, and promotes and supervises specific measures based on the Basic Policy on Corporate Governance.

In the fiscal year ended March 31, 2024, the Governance Committee met five times, in accordance with the annual plan, with an attendance rate of 100%.

The Sustainability Committee examines issues related to sustainability, and promotes and supervises specific measures based on the Basic Policy on Sustainability.

In the fiscal year ended March 31, 2024, the Sustainability Committee met five times, in accordance with the annual plan, with an attendance rate of 100%.

4. Audit and Supervisory Board

The Audit and Supervisory Board is composed of four Audit and Supervisory Board Members (two Outside Audit and Supervisory Board Members) and meets at least once a month.

In addition, Audit and Supervisory Board Members attend meetings of the Board of Directors and monitor the execution of business by Directors. They also attend audits by the Financial Auditor and audits by the Internal Auditor's Office as needed to audit the legality and appropriateness of business execution.

The status of attendance at meetings of the Audit and Supervisory Board for the fiscal year ended March 31, 2024, was as follows:

Nanai Takashi	Audit and Supervisory Board Member	21 / 22
Yoshino Mitsuru	Audit and Supervisory Board Member	22 / 22
Nakamura Kiyoshi	Outside Audit and Supervisory Board Member	22 / 22
Sugiyama Masahiro	Outside Audit and Supervisory Board Member	22 / 22

5. Internal Auditor's Office

The Internal Auditor's Office consists of two members. The Internal Auditor's Office, which reports directly to the President, audits the effectiveness of the internal control system and the legality of each business operation.

In addition, the Internal Auditor's Office reports and explains its audit policy and plans for internal audits and the results of conducted audits to the Board of Directors and the Audit and Supervisory Board in a timely and appropriate manner. The Audit and Supervisory Board scrutinizes the content of the reports received and gives instructions and advice to the Internal Auditor's Office.

6. Financial Auditor

We have appointed and concluded an audit contract with PricewaterhouseCoopers Japan LLC as our Financial Auditor. We provide management information in a timely and appropriate manner in order to maintain an environment in which audits are conducted from a fair and unbiased standpoint.

The certified public accountants who conduct the financial audit of the Company are Hayashi Soichiro and Usuki Taiju, who belong to the same auditing firm. Continuous auditing by certified public accountants has been provided by Hayashi Soichiro and Usuki Taiju, starting June 1, 2021, and July 1, 2022, respectively. The assistants for the financial audit work are three certified public accountants and seven other persons.

7. Outside Directors and Outside Audit and Supervisory Board Members

The Company appoints Outside Directors and Outside Audit and Supervisory Board Members with reference to the standards for independence we have established. There are no personal, capital, or business relationships between the Company and any of the Outside Directors and Outside Audit and Supervisory Board Members.

8. Corporate Lawyers

The Company is mindful of the legality of its business, and has concluded advisory contracts with corporate lawyers to receive legal advice as necessary.

3. Reasons for Adopting the Current Corporate Governance System

We believe it is imperative to make decisions ever so promptly, and that it is essential to secure Directors with in-depth knowledge in specific areas, while operating the Board of Directors with the minimum number of Directors necessary.

At the same time, in order to promote diversity on the Board of Directors and enhance Corporate Governance, we have appointed four Independent Outside Directors.

We are confident that this approach will strengthen the management oversight function, ensure transparency, appropriateness, and promptness of decision-making, and maintain a system that can further improve corporate value and sufficiently fulfill accountability.

In addition, the Audit and Supervisory Board Members have established a system to ensure that the three-way audit system (internal audit, audit by Audit and Supervisory Board Members, and audit by Financial Auditor), based on thorough understanding of the significance and purpose of the three-way audit system, works in a cooperative and mutually complementary manner, by grasping the process of important decision-making and the status of business execution of the Company in addition to those of the Board of Directors, inspecting major approval documents and other important documents related to business execution, and requesting explanations from Directors or employees as necessary.

/// Status of Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Meeting of Shareholders and Facilitate Smooth Exercise of Voting Rights

	Supplementary Explanation
Exercise of voting rights by electromagnetic means	As part of efforts to improve convenience for shareholders, we allow the exercise of voting rights via the Internet ("Website for Exercising Voting Rights" and "Smart Exercise" using QR codes).
Participation in the electronic voting platform and other measures to improve the environment for the exercise of voting rights by institutional investors	From the 46th Ordinary General Meeting of Shareholders held in June 2022, we have enabled the exercise of voting rights via the electronic voting platform for institutional investors operated by ICJ, Inc.
Provision of a Notice of Convocation (Summary) in English	We translated the (narrowly defined) Notice of Convocation into English and published it on June 5, 2024, on the Tokyo Stock Exchange (TDnet) and on our website.

2. Status of IR Activities

	Supplementary Explanation	Presentation by the representatives
Preparation and publication of disclosure policy	We have released an IR policy (disclosure policy) on our website (https://en.focus-s.com/sustainability/corporate_codeofconduct/irpolicy) which consists of the Basic Policy for Disclosure, Method of Information Disclosure, Prevention of Insider Trading, and Silent Period for IR Activities in the IR Policy section.	
Regular briefings for individual investors	Briefing sessions are held for individual investors on an irregular basis.	Yes
Regular briefings for analysts and institutional investors	Briefing sessions for analysts, institutional investors, and the press are held once every fiscal year in mid- to late May after the announcement of the financial results.	Yes
Posting of IR materials on the website	The following documents are posted on our website (https://en.focus-s.com) promptly after the announcement of financial results: Summary of Financial Results, Financial Results Briefing Materials for Analysts, Securities Report, Quarterly Report, Corporate Information, and Press Releases on Information Disclosure. Quarterly reports have been phased out, starting with the quarter beginning April 1, 2024, and replaced with half-yearly reports.	
Establishment of a department (person in charge) for IR	We have established the IR & Public Relations Office as a department under the direct control of the President.	

3. Status of Initiatives to Respect the Positions of Stakeholders

	Supplementary Explanation
Provisions pertaining to respect for the positions of stakeholders in the internal regulations, etc.	<p>As disclosed on our website, we have established the following management philosophy and management vision, and aim to be a company that is trusted not only by customers, investors, and shareholders, but also by all stakeholders, including employees and their families, as well as to be a company that is needed by society. In addition, we have established specific guidelines for employees in the Rules of Employment, based on our philosophy and management vision.</p> <p>Philosophy Focus Systems shall contribute to creating a better environment for the future through development and growth of the Company, with all employees working together in accord as a joint force.</p> <p>Management Vision - Commitment to Fulfill Three Responsibilities - We are determined to fulfill the following three responsibilities.</p> <ol style="list-style-type: none"> 1. Individual Responsibility: Each individual person of the Company shall enrich humanity and enhance technological capability to provide customers with the best services. 2. Corporate Responsibility: We shall create a company where employees trust each other and work with a sense of assurance and satisfaction. 3. Social Responsibility: We shall create a company that is trusted by customers, investors, and shareholders, as well as needed by society.
Implementation of environmental conservation activities, CSR activities, etc.	<p>We distribute the Environmental Management Guidelines to all employees and promote the activity system at each site by appointing a manager to promote environmental conservation measures.</p> <p>The results of these efforts are available on our website.</p>
Formulation of policy on provision of information to stakeholders, etc.	<p>As shown in the separate schematic diagram, we have established an internal system to promptly, accurately, and fairly disclose information that is necessary for the understanding of the Group as well as decisions and occurrences pertaining to corporate information.</p>
Other	<p>The Company's position on diversity among core personnel is outlined in [Supplementary Principle 2.4.1 Securing Diversity, Including Active Participation of Women].</p> <p>In order to promote diversity in the workforce, including Directors/Audit and Supervisory Board Member as well as employees and ensure that management decision-making reflects a range of ideas and opinions, we currently have two female Directors and one Audit and Supervisory Board Member (all external) who provide oversight and advice on management.</p>

IV Matters Related to Internal Control Systems, etc.

1. Basic Stance and Status of Internal Control System

Basic Policy for Building an Internal Control System

1. System for the Retention and Management of Information Related to Directors' Execution of Duties

- (1) We shall retain and manage information in accordance with laws and regulations, the Document Management Regulations, the Information Security Implementation Manual, and other internal regulations.
- (2) The Representative Director shall appoint, from among the Directors, a person responsible for company-wide supervision of the retention and management of information related to Directors' execution of duties.
- (3) The Director in charge of supervision shall retain and store information related to Directors' execution of duties as records in accordance with internal regulations.
- (4) Stored records shall be retained and stored in a highly searchable manner for perusal of Directors, Audit and Supervisory Board Members, and the Financial Auditor.
- (5) We shall establish appropriate systems for the retention, management, and transmission of information, similar to those established under the Basic Policy on Information Security, the Privacy Mark, and the Information Security Management System (ISMS).

2. Regulations and other systems concerning management of risk of loss

- (1) We shall establish a management system, classifying events (risks) that may have a significant impact on the purpose of the Company and our business purposes into the following categories.
 - Financial reporting risks
 - Quality risks
 - Information security risks
 - Labor risks
 - Legal risks
 - Environmental risks
 - Business continuity risks
 - Human resources risks
 - Financial risks
- (2) We shall organize a Risk Management Committee responsible for supervising our financial reporting risk management system, in order to assess financial risks, and take measures to avoid and mitigate risks in accordance with the Risk Management Regulations.
- (3) In order to prevent misconduct caused by employees through information leakage, we shall establish Confidentiality Management Regulations and Disciplinary Action Regulations, and in addition, shall have employees submit written pledges of compliance with internal regulations.
- (4) With regard to risk management related to digital information, we shall establish systems to appropriately identify information leakage routes, and equip ourselves with prevention capabilities through implementation of in-house training.

3. System for ensuring that Directors execute their duties efficiently
 - (1) We shall hold a regular Board of Directors' meeting once a month, and extraordinary Board of Directors' meetings as necessary, to make decisions on important matters and supervise the status of business execution by Directors.
 - (2) All Directors shall be assigned responsibilities for specific domains of our business, appropriately monitor business progress, and strive to improve the efficiency of business execution thereof.
 - (3) With regard to business operations, we shall develop a Medium-term Management Plan and annual budgets for each fiscal year, taking the future business environment and other factors into consideration, and set company-wide targets.
 - (4) Each department shall plan and implement specific measures to achieve its targets.
 - (5) In order to ensure efficient execution of duties, the scope of duties and authority necessary for business execution shall be clearly defined in the Regulations on Segregation of Duties and the Regulations on Delegation of Authority.
 - (6) We shall flexibly implement organizational changes to respond to changes in the environment.
4. System for ensuring that the execution of duties by Directors and employees is in conformity with laws and regulations and the Articles of Incorporation
 - (1) We shall review our internal regulations from time to time, to comply with laws and regulations and the Articles of Incorporation, and provide internal education as necessary to raise employees' awareness of the importance of compliance in their business execution.
 - (2) We shall define the systems to ensure proper execution of business in the Board of Directors Regulations, Regulations of the Audit and Supervisory Board, and Rules of Employment.
 - (3) In order to firmly maintain the legal compliance system, employees shall be required to submit written pledges of compliance with internal regulations, with their signatures and seals affixed.
 - (4) We shall establish a compliance whistleblowing system and, in regard of promoting compliance with laws and regulations and the Articles of Incorporation, provide guidance through training and other means to officers and employees, etc., so that they conduct business operations from their respective positions, taking compliance as their own issue.
 - (5) We shall establish an internal audit system to audit legal compliance of our business execution.
5. System for ensuring the appropriateness of business operations within our corporate group
 - (1) System for ensuring that matters related to the execution of duties by Directors, etc., of subsidiaries are reported to our company
 - A. The Director in charge of the business related to the relevant affiliated company (Director-in charge) is responsible for the reporting from the subsidiary in accordance with the Affiliated Company Management Regulations.
 - B. The Director-in-charge shall request submission of documents, etc., from affiliated companies as necessary and keep abreast of the management status of the affiliated companies.
 - (2) Regulations and other systems for managing risk of loss of subsidiaries
 - A. We require accounting to be carried out in accordance with the Accounting Regulations, and we receive accounting reports on a monthly basis.
 - B. Affiliated companies are required to report on the implementation status and effectiveness of measures to mitigate financial reporting risks to the Risk Management Committee, and we shall evaluate such reports in accordance with the Risk Management Regulations.
 - (3) System for ensuring that Directors, etc., of subsidiaries execute their duties efficiently
 - A. Management of affiliated companies shall be based on coexistence and co-prosperity based on mutual trust, while respecting their autonomy.
 - B. Important matters shall be subject to prior consultation with the Board of Directors of our company.
 - (4) System for ensuring that the execution of duties by Directors, etc., and employees of subsidiaries is in conformity with laws and regulations and the Articles of Incorporation
 - A. We shall appoint a Director who shall be responsible for supervision of the business of the corporate group. We shall also give subsidiaries the mandate and responsibility to establish their own systems to ensure compliance with laws and regulations.
 - B. Our Administration Headquarters shall promote and supervise, across all subsidiaries, the systems they establish to ensure compliance with laws and regulations.
 - C. In the case of conducting audits as part of the supervising role stipulated in (B) above, our Internal Audit Regulations shall be applied mutatis mutandis.
6. Matters concerning employees who are asked by Audit and Supervisory Board Members to assist in the Auditors' duties
 - (1) Employees to assist in the duties of Audit and Supervisory Board Members shall be nominated from employees of the Internal Auditor's Office.
7. Matters related to the independence from Directors of employees assisting the duties of Audit and Supervisory Board Members
 - (1) Personnel changes, appraisals, and disciplinary actions regarding employees of the Internal Auditor's Office shall be subject to the prior consent of the Audit and Supervisory Board Members.
8. Matters related to ensuring the effectiveness of instructions given by Audit and Supervisory Board Members to the employees assisting in the Audit and Supervisory Board Members' duties
 - (1) Audit and Supervisory Board Members shall be authorized to guide and instruct employees assisting in their duties to the extent necessary to perform their audit duties.
9. System for reporting to the Audit and Supervisory Board Members
 - (1) System for reporting from Directors and employees to Audit and Supervisory Board Members
 - A. Directors are obligated to immediately report to Audit and Supervisory Board Members in accordance with laws and regulations and internal regulations, should they become aware of any matters that could cause significant damage to our company.
 - B. The Internal Auditor's Office shall conduct internal audits of identified risks, and report the results thereof to the Audit and Supervisory Board.
 - C. The Risk Management Committee, responsible for monitoring financial reporting, shall assess financial reports, and report the results thereof to the Audit and Supervisory Board.
 - D. Whistleblowing reports from employees shall be reported by the Compliance Committee, responsible for investigation of such reports, to the Risk Management Committee.
 - (2) System for reporting to the Audit and Supervisory Board Members by a person receiving reports from Directors, etc., and employees of subsidiaries, or other persons equivalent thereto
 - A. Directors in charge of subsidiaries are obligated to immediately report to Audit and Supervisory Board Members, should they become aware of any matters that could cause significant damage to our company.
 - B. The Risk Management Committee, responsible for monitoring financial reporting, shall assess financial reports of subsidiaries based on reports from the division in charge of each subsidiary, and report the results thereof to the Audit and Supervisory Board.
 - C. Whistleblowing reports shall be reported by the Compliance Committee, responsible for investigation of such reports, to the Risk Management Committee.
10. System for ensuring that persons reporting to the Audit and Supervisory Board Members are not treated disadvantageously for having made such reports
 - (1) In accordance with the Compliance Whistleblowing Regulations, we shall prohibit any disadvantageous treatment, including dismissal, of persons making reports, and in addition, take measures to prevent any deterioration in the work environment of such employees.

(2) Employees of subsidiaries shall also be protected against disadvantageous treatment, etc., in the same manner as (1) above.

11. Matters related to the policies on the procedures for advance payment or reimbursement of expenses arising from the execution of duties of Audit and Supervisory Board Members, or any other processing of expenses or obligations arising from the execution of such duties

- (1) The Audit and Supervisory Board shall be allocated budgets in advance for expenses deemed necessary for the execution of duties.
- (2) Audit and Supervisory Board Members may ask our company for advance payment of any urgent or extraordinary expenses, as well as reimbursement of incurred expenses.
- (3) We shall be mindful of the efficiency and appropriateness of each expenditure with regard to incurring audit expenses.

12. Other systems for ensuring that audits by Audit and Supervisory Board Members are executed efficiently

- (1) We shall establish the Code of Audit and Supervisory Board Member Auditing Standards, and the Internal Audit Regulations in order to ensure the effectiveness of audits by Audit and Supervisory Board Members.
- (2) Audit and Supervisory Board Members shall monitor the process of important decision-making and the status of business execution of our company, including those conducted by the Board of Directors.
- (3) Audit and Supervisory Board Members shall attend important company meetings, review major approval documents and other important documents related to business execution, and request explanations from Directors and employees as necessary.
- (4) We shall endeavor to maintain a deep understanding of the significance and purposes of the three-way audit system, and shall promote collaboration and mutual complementation between the three types of audits.

2. Basic Approach and Development Progress of Activities Geared Toward the Elimination of Antisocial Forces

Basic Policy on Elimination of Antisocial Forces

1. Basic Approach toward Elimination of Antisocial Forces

The Company, being strongly cognizant of its social responsibilities, has released the following Basic Policy designed to prevent the involvement of antisocial forces in the management of the Company along with associated damage and ensure full compliance. The Basic Policy is aligned with "Guidelines for Companies to Prevent Damage Caused by Antisocial Forces" released by the government. (Government Guidelines: Agreement at a Meeting of Cabinet Ministers Responsible for Anti-Crime Measures dated June 19, 2007)

- (1) We shall implement a company-wide response against unlawful demands from antisocial forces to ensure the safety of officers and employees who engage in the handling of such demands.
- (2) We shall strengthen collaboration on a regular basis with external specialist organizations such as the police, Center for Removal of Criminal Organizations, and lawyers, when establishing our response to antisocial forces.
- (3) We shall have no relationship, trade or otherwise, with antisocial forces.
- (4) We shall resolutely reject any unlawful demands made by antisocial forces and take both civil and criminal legal measures.
- (5) We shall make no hidden deals with, nor provide funding to, antisocial forces to conceal facts, even if the unlawful demands are based on business activity misconduct or employee misconduct.

2. Development Progress of Activities Geared toward Elimination of Antisocial Forces

We have established provisions relating to relationships with antisocial forces in the Rules of Employment, and are working toward elimination of antisocial forces on a Company-wide basis in order to prevent involvement of antisocial forces in our management activities and mitigate damage that may be caused by such forces.

- (1) Progress Made in the Establishment of a Response Department and an Officer-in-charge of Prevention of Unreasonable Demands
The General Affairs Division has been assigned as the response department. We shall respond to unlawful demands on a case-by-case basis after consultation with relevant departments, led by the Officer-in-charge of Prevention of Unreasonable Demands.
- (2) Progress on Collaboration with External Specialist Organizations
We are collaborating with external specialist organizations, such as the competent police station and legal advisers.
- (3) Status of Collection and Management of Information on Antisocial Forces
The Officer-in-charge of Prevention of Unreasonable Demands is responsible for the collection and management of information on antisocial forces from external specialist organizations such as the Center for Removal of Criminal Organizations.
- (4) Progress on Preparation of Response Manuals and Implementation of Training Activities
We are developing manuals as necessary, and conducting regular awareness-raising activities through training and other activities.

V Others

1. Introduction of Takeover Defense Measures

Takeover defense measures introduced	No
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Supplementary explanation of applicable items

The following is our Basic Policy on Persons Who Control Decisions on Financial and Business Policies of Stock Companies.

Our philosophy is to "contribute to creating a better environment for the future through development and growth of the Company with all employees working together in accord as a joint force."

The Company believes that persons who are suitable to control decisions on our financial and business policies must be persons who fully understand our philosophy, as well as the sources of our corporate value, our business characteristics, our relationships of trust with various stakeholders, and other aspects of the Company, and who are able to secure and enhance our corporate value and the common interests of our shareholders over the medium to long term. At the same time, we believe that such persons must be able to make appropriate decisions and respond to all situations and events that may threaten the Company's raison d'être regardless of their predictability, by collecting the information necessary to secure and enhance corporate value and the common interests of shareholders over the medium to long term with good and honorable thinking.

On the other hand, free transactions of shares of the Company, which is a listed company, are allowed by shareholders and investors. Therefore, even if a large-scale purchase proposal for the Company's shares or similar actions are made, we believe that such a proposal should not be categorically denied and that the final decision should be made by the free will of shareholders. However, it is possible that some large-scale purchase proposals for shares may be made for the purpose of abuse, be likely to effectively force shareholders to sell their shares, or damage corporate value and the common interests of shareholders.

We will take timely and appropriate measures within the scope permitted by the Financial Instruments and Exchange Act, the Companies Act, and other relevant laws and regulations, such as requiring necessary and sufficient information so that our shareholders can make appropriate judgments on the pros and cons of a large-scale purchase, disclosing the opinions of the Board of Directors and independent third parties, and making efforts to secure time for shareholders to consider the matter.

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

System for Timely Disclosure

We are fully aware that the timely and appropriate disclosure of corporate information to investors is the foundation of a sound securities market. We also take a sincere approach in our efforts to enhance our internal systems to ensure the prompt, accurate, and fair disclosure of corporate information from the viewpoint of investors.

We have appointed, from among the Directors, a person responsible for handling disclosed information (Information Handling Officer), and handle disclosure of information, fully recognizing the importance of disclosure as the management team.

The Information Handling Officer collects information through reports from the head of each department and through various meetings.

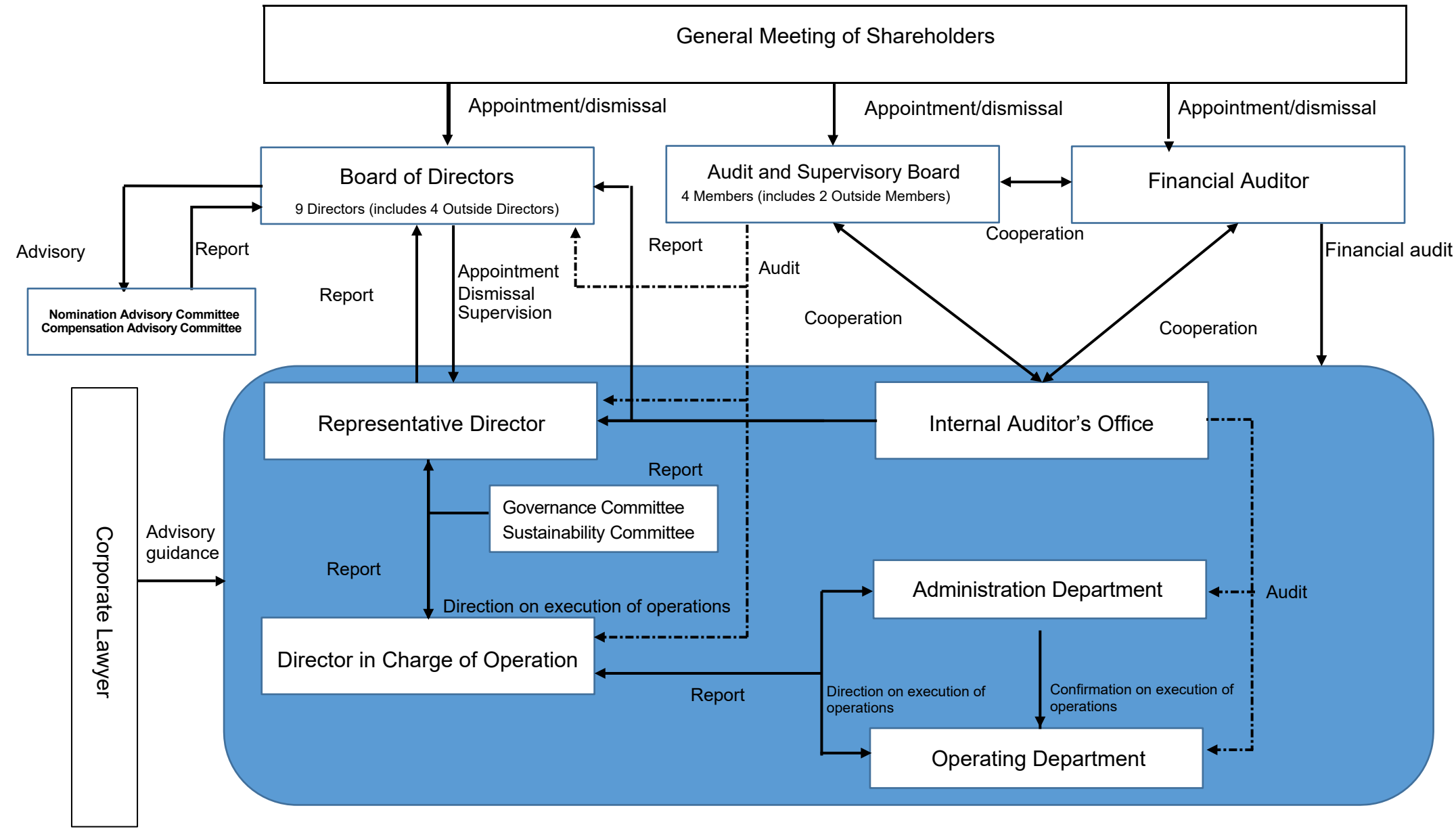
The person in charge of timely disclosure collects, summarizes, and discloses information under the instructions and approval of the Information Handling Officer.

Recognizing the importance of insider trading regulations, we have developed information distribution channels and management methods to prevent information leakage and unauthorized access. To prevent misconduct by officers and employees caused by information leakage, we have established rules for managing confidentiality and require them to submit written pledges of compliance with internal regulations.

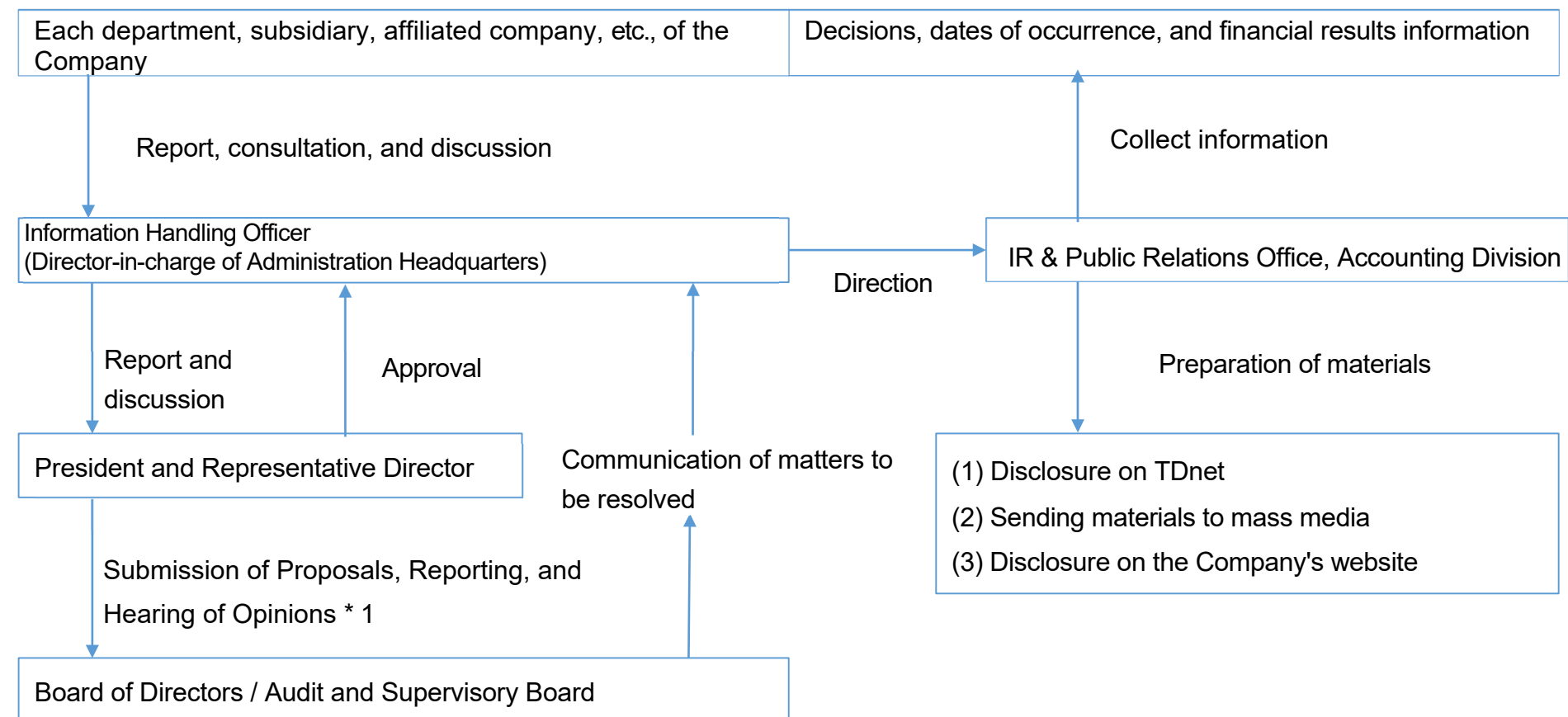
In addition, we have established the Insider Trading Management Regulations for management of important internal information by officers and employees and to prevent their engaging in any insider trading.

In order to ensure that shareholders, investors, and other stakeholders have fair and easy access to the Company's information, disclosed information is posted on the Company's website in a timely manner.

Overview of Corporate Governance System



Overview of Timely Disclosure System



*1: The need for disclosure of facts relating to the occurrence is determined in consultation with the Representative Director. If deemed necessary, the Company instructs the department in charge of information disclosure to disclose information. In such cases, a report shall be made to the Board of Directors after the occurrence.