

The corporate governance of Systema Corporation (the “Company”) is described below.

Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic policy

The Company intends to enhance corporate governance with the aim of responding to rapid changes in the business climate, to promote management emphasizing speed based on prompt decision-making to increase management efficiency, to work toward sustainable growth of the business, increasing shareholder value and continuous shareholder returns, to harmonize the interests of shareholders, customers, business partners, employees, local communities and other stakeholders (interested parties) and to maximize general benefits as a whole while endeavoring to secure soundness in management and full regulatory compliance.

To achieve this, the Company intends to take very seriously the advice and suggestions of the audit corporation, other external experts and stakeholders and will work to enhance the fairness and transparency of management, to build systems appropriate to the size of the Company using its inherent mobility, to further promote self-improvement as a listed company in full awareness of stakeholders, to enhance corporate governance and to disclose information in a timely and appropriate manner.

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

Principle 1-2 Exercise of Shareholder Rights at General Shareholder Meetings

Supplementary Principle 1-2-4

In view of the current situation regarding the exercise of voting rights of institutional investors and foreign investors who are shareholders of the Company, the Company believes that the current written vote system does not pose a major obstacle. The Company will consider the creation of an infrastructure allowing electronic voting (such as the use of the Electronic Voting Platform), and English translations of the convening notices of general shareholder meeting in light of trends in the shareholding ratios and exercise of voting rights of such investors in the future.

Supplementary Principle 4-1-3 Succession Plan for the CEO and Other Top Executives

The Company has two Representative Directors, a Chairman & Representative Director, who is the founder, and a President & Representative Director, who is in his early 50s. The Company is in the "owner-operating company" stage of development, in other words, the Chairman & Representative Director, who is the founder, is directly involved as Chief Executive Officer in steering management based on a management policy of selection and concentration, and since the succession plan for the CEO currently depends on the future business environment and management policy, the Company believes that giving the Chief Executive Officer sole prerogative is best for the Company's development. Accordingly, the Board of Directors is not currently involved in the formulation or implementation of a specific succession plan. The Company will consider this matters as necessary in the future.

Supplementary Principle 4-3-3 Establishment of an objective, timely and transparent procedure for CEO dismissal

The Company adopts a structure whereby the Chairman & Representative Director, who is also the founder and the owner-operator, steers the general direction of management as Chief Executive Officer, while the President & Representative Director leads internal operations as Chief Operating Officer with an appropriate evaluation of business results and other factors. In addition, the Company structure is such that the Representative Directors are kept in check by six Outside Officers (two Outside Directors and four Outside Audit & Supervisory Board Members) who each meet the requirements of independent officers, and the Company believes that if a situation which might involve the dismissal of a Representative Director arose, the Board of Directors would come to a decision through discussion based on recommendations of the Independent Officers and would be able to deal with the situation. Accordingly, the Company has not, at present, established an objective, timely and transparent procedure for CEO dismissal. The Company will consider the matters where necessary in the future.

Supplementary Principle 4-10-1 Establishment of independent advisory committees, such as non-mandatory Nomination Committee and Executive Compensation Committee

The Company does not have an independent majority on its board, with two out of its nine Directors being Independent Outside Directors. However, all six Independent Officers -the two Outside Directors plus four Outside Audit & Supervisory Board Members- satisfy the requirements for independent officers determined by the Tokyo Stock Exchange and they each leverage their specialist knowledge and extensive experience to actively express opinions during deliberations of important matters at board meetings and the Company is afforded timely and appropriate advice and has, therefore, not currently established independent advisory committees. The Company will consider the matters where necessary in the future.

[Disclosure Based on the Principles of the Corporate Governance Code]

Principle 1.4: Cross-Shareholdings

The Company's policy is not to hold listed shares as cross-shareholdings and has no shares held as cross-shareholdings.

Principle 1.7: Related Party Transactions

The Company's policy is that competition and conflicting interest transactions by directors are matters to be discussed/reported at board meetings and every transaction is approved in advance by the board and the result of each transaction is reported.

Principle 2.6: Roles of Corporate Pension Funds as Asset Owners

The Company's financial position is not affected as its only corporate pension is a defined contribution pension plan.

Principle 3.1: Full Disclosure

(1) Management philosophy, management strategy, management plan

The Company formulates and discloses a management philosophy, a management strategy, and a medium-term management plan. Please refer to the Company's website for further details.

Management Philosophy and Standards of Conduct <https://www.systema.co.jp/about/idea.html>

Management Targets and Management Basic Policy https://www.systema.co.jp/ir/management/business_plan.html

Medium-Term Management Plan

https://www.systema.co.jp/ir/management/business_plan.html

(2) Basic views and guidelines on corporate governance are described in "I. 1 Basic Views" of this Report.

(3) Board policies and procedures in determining the remuneration of the senior management and directors are described in "II.1. Directors' Compensation System" of this Report.

(4) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of candidates for Director and Audit & Supervisory Board Member

On the appointment/nomination of candidates for Director, the President & Representative Director proposes candidates to the Board of Directors based on a comprehensive judgment of attributes such as past achievements, character, insight and ability, and the Board of Directors selects the right person for the job ensuring that the overall composition of the Board of Directors will enable accurate and speedy decision-making, appropriate risk management and supervision of business execution, in accordance with the rules of employment of Directors.

In the event of circumstances requiring the dismissal of a Director, Audit & Supervisory Board Member or Corporate Officer, the Representative Directors shall hold deliberations and the Board of Directors shall take the result of these deliberations into consideration and decide whether to propose dismissal in the case of a Director or Audit & Supervisory Board Member or whether to dismiss in the case of a Corporate Officer. The dismissal of a Director or Audit & Supervisory Board Member is carried out in accordance with the provisions of the Companies Act and other relevant legislation.

On the appointment/nomination of candidates for Audit & Supervisory Board Member, the President & Representative Director proposes candidates to the Board of Directors based on a comprehensive judgment of attributes such as past achievements, character, insight and ability, and the Board of Directors selects candidates, taking into consideration the balance between knowledge about finance, accounting or law and experience of management supervision. The consent of the Audit & Supervisory Board must be required with respect to candidates for Audit & Supervisory Board Member.

(5) Explanation of individual appointments/dismissals and nominations when the Board of Directors appoints and dismisses executive management and nominates candidates for Director or Audit and Supervisory Board Member in accordance with (4) above

The Company discloses reasons for the appointment/dismissal or nomination of candidates for Outside Director and candidates for Outside Audit & Supervisory Board Member and other details about Directors and Audit & Supervisory Board members such as a career summary, positions and duties in materials such as the notice of convocation of the ordinary general meeting of shareholders and the annual securities report. Please refer to the Company's website for further details. In the event of circumstances requiring the dismissal of a Corporate Officer, the Company describes the reason for dismissal mainly in timely disclosure materials.

https://www.systema.co.jp/ir/library/general_meeting.html

<https://www.systema.co.jp/ir/library/securities.html>

Principle 4-1 Roles and responsibilities of the Board of Directors (1)

Supplementary Principle 4-1-1 Scope of Management Responsibility

Matters to be judged and determined by the Board of Directors itself are set out in the Rules of the Board of Directors. The Company has a Management Meeting which acts as an advisory body to the Board of Directors and discusses matters of general importance for company management. The Company leaves other matters concerning the execution of specific business operations to the management team, including the President & Representative Director, to decide, in principle, and clarifies the scope of delegation according to the scale and nature of transactions and business operations in a management authority chart.

Principle 4.9 Independence Standards and Qualification for Independent Directors

The Company elects Outside Directors, who are Independent Officers, in accordance with the requirements for Outside Directors set out in the Companies Act and the Independence Standards determined by the Tokyo Stock Exchange.

Principle 4-11 Preconditions for Ensuring Effectiveness of the Board of Directors and the Board of Corporate Auditors

Supplementary Principle 4-11-1 View on the Appropriate Balance between Knowledge, Experience and Skills of the Board as a Whole, and also on Diversity and Appropriate Board Size, and Policies and Procedures for Nominating Directors

The Company ensures that the composition of the Board of Directors allows for appropriate and flexible decision-making and supervision of business execution, giving comprehensive consideration to expertise, experience and past achievements and managerial ability. The Company's Board of Directors is currently composed of individuals from inside and outside the company who possess diverse knowledge, experience and abilities, and in addition to seven internal directors who are familiar with every area of the Company's business, the Company has two Independent Outside Directors, making a total of nine Directors as well as four Independent Outside Audit & Supervisory Board Members.

Supplementary Principle 4-11-2 Status of Concurrent Serving of Directors and Audit & Supervisory Board Members as Directors, Audit & Supervisory Board Members or the Management at Other Listed Companies

The Company discloses the status of concurrent serving of Directors and Audit & Supervisory Board Members as Officers, Audit & Supervisory Board Members or the management at other companies in its business reports and reference documents for shareholders meeting. Please refer to the Company's website for further details.

https://www.systema.co.jp/ir/library/general_meeting.html

Supplementary Principle 4-11-3 Analysis and Evaluation of Effectiveness of Board of Directors as a Whole, and Summary of the Results

The Company's Board of Directors is composed of 13 members, of which six are Outside Directors or Outside Audit & Supervisory Board Members who are Independent Officers in accordance with the provisions of the Tokyo Stock Exchange. To conduct an analysis/evaluation of the effectiveness of the Board of Directors, the Company uses a "Questionnaire Survey for Evaluation of the Board of Directors" and all Directors and Audit & Supervisory Board Members conduct self-evaluations of the composition and operations of the Board of Directors and the results of analysis of this survey are discussed at a meeting of Outside Officers consisting of the two Outside Directors and the four Outside Audit & Supervisory Board Members.

The results of analysis of self-evaluations based on the questionnaire survey and the results of discussion at the meeting of Outside Officers confirmed that the Company's Board of Directors leverages the knowledge, experience and insights of each officer to engage in discussions which contribute to the sustainable growth and enhancement of shareholder value from a medium-to-long term perspective and that sufficient discussions for the supervision of management are held, and the Company, therefore, concluded from these findings that the effectiveness of the Board of Directors is ensured.

With reference to the self-evaluations of the Directors and Audit & Supervisory Board Members, the Company conducts an analysis and evaluation of the effectiveness of the Board of Directors as a whole every year, in principle, to maintain effectiveness and also pursues further improvement to ensure that effective discussions are held.

Principle 4-14 Training for Directors and Audit & Supervisory Board Members

Supplementary Principle 4-14-2

The Company provides training about the role and responsibilities (including legal responsibilities) officers are required to fulfil, as necessary, and also provides support to Outside Officers to increase their understanding of the Group.

Principle 5.1: Policy for Constructive Dialogue with Shareholders

The Company establishes and discloses a disclosure policy to encourage constructive dialogue with shareholders. Please refer to the Company's website for further details.

<https://www.systema.co.jp/ir/management/disclosure.html>

Please refer to "2. Status of IR Activities" in "III Implementation Status of Measures for Shareholders and Other Stakeholders" in this Report for information about the development of a framework and initiatives for this.

2. Capital Structure

Foreign Shareholder Ratio	From 20% to less than 30%
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[Status of Major Shareholders]

Name / Company name	Number of Shares Owned	Percentage (%)
SMS Holdings Corporation	25,916,800	26.64
Japan Trustee Services Bank, Ltd. (trust account)	7,804,600	8.02
The Master Trust Bank of Japan, Ltd. (Trust account)	6,437,100	6.61
Systema Employee Ownership Association	2,618,800	2.69
SSBTC CLIENT OMNIBUS ACCOUNT	2,549,108	2.62
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,424,800	1.46
JP MORGAN CHASE BANK 385151	1,252,396	1.28
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/ JASDEC/FIM LUXEMBOURG FUNDS/UCITS ASSETS	1,230,000	1.26
STATE STREET BANK AND TRUST COMPANY 505103	1,221,425	1.25
BBH FOR FINANCIAL INV TRUST GRANDEUR PEAK INTERNATIONAL STALWARTS FD	1,135,800	1.16

Existence of Controlling Shareholder (except for Parent Company)	-----
Existence of Parent Company	None

Supplementary Explanation

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Information & Communication
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥10 billion to less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

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

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

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

1. Organizational Composition and Operation

Organization Form	Company with a board of auditors
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	11
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	9
Appointment of Outside Directors	Appointed
Number of Outside Directors	2
Number of Independent Directors	2

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Yukio Suzuki	From another company									△			
Kouichi Ogawa	From another company									△			

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

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

- Executive of the Company or its subsidiaries
- Non-executive director or executive of a parent company of the Company
- Executive of a fellow subsidiary company of the Company
- A party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the Company or an executive thereof
- Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/accounting auditor
- Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- Executive of a company, between which and the Company outside directors/accounting auditors are mutually appointed (the director himself/herself only)
- Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- Others

Outside Accounting Auditor's Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment

Yukio Suzuki	○	<p>Mr. Suzuki is not now, nor has never been an employee of the Company or an affiliate of the Company.</p> <p>Mr. Suzuki is a Representative Director of Belle Investment Research of Japan Inc., an Outside Director of Ichigo Inc., and an Outside Audit & Supervisory Board Member of WILLs Inc. and XNET Corporation. The Company has no special relationships with these companies at which Mr. Suzuki concurrently serves. In addition, Mr. Suzuki used to work for Nomura Holdings, Inc., with which the Company does business. The Company has no special relationship with Nomura Holdings, Inc.</p> <p>Mr. Suzuki and the Company have concluded an agreement limiting Mr. Suzuki's liability for damages as Outside Director of the Company in accordance with the provisions of the Articles of Incorporation, and the maximum limit on liability under said agreement is the minimum liability amount as provided in laws and ordinances.</p>	<p>Mr. Suzuki has extensive experience and deep insight as a manager accumulated over many years working at a securities firm and other companies as well as specialist financial and economic knowledge as a securities analyst and the Company elected him believing that it can benefit from his accurate advice to ensure the validity and appropriateness of decision-making by the Board of Directors and that the Company's management structure can be enhanced as a result.</p> <p>Mr. Suzuki has a high degree of independence, with no direct interest in the Company's management and the Company, therefore, believes that he can duly fulfil the role expected of him by shareholders, etc. which is to supervise those who execute business operations led by the Representative Directors from an independent standpoint.</p> <p>Based on the views outlined above, the Company nominated Mr. Suzuki as an Independent Officer who will pose no risk of a conflict of interests with general shareholders.</p>
Kouichi Ogawa	○	<p>Mr. Ogawa is not now, nor has never been an employee of the Company or an affiliate of the Company.</p> <p>Mr. Ogawa is an Outside Audit & Supervisory Board Member of JK Holdings Co., Ltd. (due to retire on June 25, 2020). The Company has no special relationship with JK Holdings Co., Ltd. In addition, Mr. Ogawa used to work for Mizuho Bank, Ltd., with which the Company does business, and the Company had bank loans of 760 million yen and other transactions such as the provision of IT services, sale of products and system development amounting to 548 million yen with the bank in the fiscal year ended March 31, 2020. However, these are normal business transactions and the Company believes that there is no question about Mr. Ogawa's independence.</p> <p>Mr. Ogawa and the Company have concluded an agreement limiting Mr. Ogawa's liability for damages as Outside Director of the Company in accordance with the provisions of the Articles of Incorporation, and the maximum limit on liability under said agreement is the minimum liability amount as provided in laws and ordinances.</p>	<p>Mr. Ogawa has extensive experience and deep insight accumulated over many years working at a financial institution and the Company elected him believing that it can benefit from his useful advice mainly from the perspective of internal controls and compliance and that the Company's management structure can be enhanced as a result.</p> <p>Mr. Ogawa has a high degree of independence, with no direct interest in the Company's management and the Company, therefore, believes that he can duly fulfil the role expected of him by shareholders, etc. which is to supervise those who execute business operations led by the Representative Directors from an independent standpoint.</p> <p>Based on the views outlined above, the Company nominated Mr. Ogawa as an Independent Officer who will pose no risk of a conflict of interests with general shareholders.</p>

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Not Established
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[Accounting Auditor]

Establishment of Board of Accounting Auditors	Established
Maximum Number of Accounting Auditor Stipulated in Articles of Incorporation	5
Number of Accounting Auditor	4

Cooperation among Accounting Auditor, External Accounting Auditors and Internal Audit Departments

• Cooperation among Audit & Supervisory Board Members and Accounting Auditors

Audit & Supervisory Board Members receive a written explanation outlining the annual audit plan from the Accounting Auditors and check the content including the detailed audit schedule, the persons in charge of the quarterly review and the communication plan. The Audit & Supervisory Board Members receive a report on the review results every quarter from the Accounting Auditors and have them submit a report outlining the audit results at the end of the fiscal year for evaluation. The Audit & Supervisory Board Members also conduct hearings on matters relating to the independence of Accounting Auditors and matters relating to execution of their duties and also hold interviews with Accounting Auditors where necessary to ask about the status of audits.

• Cooperation among Audit & Supervisory Board Members and Internal Audit Departments

The Audit & Supervisory Board Members hold monthly meeting with Internal Audit Department to exchange opinions on matters such as the audit plan, the implementation status of audits and improvements and also seek to gain a better understanding by viewing internal audit reports and so forth. When evaluating business activities for risk management and improvement of internal control systems, Internal Audit Departments seek to share information with Audit & Supervisory Board Members by consulting them beforehand and reporting to them afterwards. In addition, depending on internal audit items, the full-time Audit & Supervisory Board Member attends audits whenever necessary.

Appointment of Outside Accounting Auditor	Appointed
Number of Outside Accounting Auditor	4
Number of Independent Accounting Auditor	4

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Toru Hishida	From another company													
Yoshihiro Nakamura	Lawyer													
Hiroshi Adagawa	From another company													
Nobushige Tokuono	Certified tax accountant													

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category; "▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiary

b. Non-executive director or accounting advisor of the Company or its subsidiaries

c. Non-executive director or executive of a parent company of the Company

d. Accounting auditor(s) of a 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 amount of monetary consideration or other property from the Company besides compensation as an accounting auditor

i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)

k. Executive of a company, between which and the Company outside directors/Audit & Supervisory Board Member are mutually appointed (the Audit & Supervisory Board Member himself/herself only)

l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)

m. Others

Outside Accounting Auditor's Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Toru Hishida	○	Mr. Hishida and the Company have concluded an agreement limiting Mr. Hishida's liability for damages as Outside Audit & Supervisory Board Member of the Company in accordance with the provisions of the Articles of Incorporation, and the maximum limit on liability under said agreement is the minimum liability amount as provided in laws and ordinances.	<p>The Company elected Mr. Hishida to incorporate his high level of tax and finance expertise gained largely as an inspector at a government agency into the Company's audit structure. Whilst Mr. Hishida has never been involved in company management except as an Outside Officer, the Company judged, based on comprehensive consideration of factors such as his track record as an Outside Audit & Supervisory Board Member at the Company and his many years of practical experience in tax and finance, that he is capable of properly executing the duties required of an Outside Audit & Supervisory Board Member.</p> <p>Mr. Hishida has a high degree of independence, with no direct interest in the Company's management and the Company, therefore, believes that he can duly fulfil the role expected of him by shareholders, etc. which is to supervise those who execute business operations led by the Representative Directors from an independent standpoint.</p> <p>Based on the views outlined above, the Company nominated Mr. Hishida as an Independent Officer who will pose no risk of a conflict of interests with general shareholders.</p>

Yoshihiro Nakamura	○	<p>Mr. Nakamura is a partner and attorney-at-law at Hinoki - Law Offices. The Company has no special relationship with the firm at which Mr. Nakamura concurrently serves.</p> <p>Mr. Nakamura and the Company have concluded an agreement limiting Mr. Nakamura's liability for damages as Outside Audit & Supervisory Board Member of the Company in accordance with the provisions of the Articles of Incorporation, and the maximum limit on liability under said agreement is the minimum liability amount as provided in laws and ordinances.</p>	<p>The Company elected Mr. Nakamura because he has specialist knowledge, experience and insight gained as an attorney-at-law and the Company judged that he could properly audit the Company's management as a legal expert. Whilst Mr. Nakamura has never been involved in company management except as an Outside Officer, the Company judged, based on comprehensive consideration of factors such as his track record as an Outside Audit & Supervisory Board Member at the Company and his practical experience in corporate legal affairs, that he is capable of properly executing the duties required of an Outside Audit & Supervisory Board Member.</p> <p>Mr. Nakamura has a high degree of independence, with no direct interest in the Company's management and the Company, therefore, believes that he can duly fulfil the role expected of him by shareholders, etc. which is to supervise those who execute business operations led by the Representative Directors from an independent standpoint.</p> <p>Based on the views outlined above, the Company nominated Mr. Nakamura as an Independent Officer who will pose no risk of a conflict of interests with general shareholders.</p>
Hiroshi Adagawa	○	<p>Mr. Adagawa and the Company have concluded an agreement limiting Mr. Adagawa's liability for damages as Outside Audit & Supervisory Board Member of the Company in accordance with the provisions of the Articles of Incorporation, and the maximum limit on liability under said agreement is the minimum liability amount as provided in laws and ordinances.</p>	<p>The Company elected Mr. Adagawa because he has a high level of finance and accounting expertise gained largely as an inspector at a government agency and the Company judged that he could properly audit the Company's management. Whilst Mr. Adagawa has never been involved in company management except as an Outside Officer, the Company judged for the reasons outlined above that he is capable of properly executing the duties required of an Outside Audit & Supervisory Board Member.</p> <p>Mr. Adagawa has a high degree of independence, with no direct interest in the Company's management and the Company, therefore, believes that he can duly fulfil the role expected of him by shareholders, etc. which is to supervise those who execute business operations led by the Representative Directors from an independent standpoint.</p> <p>Based on the views outlined above, the Company nominated Mr. Adagawa as an Independent Officer who will pose no risk of a conflict of interests with general shareholders.</p>
Nobushige Tokuono	○	<p>Mr. Tokuono is the Director of Tokuono Nobushige Tax Accountant Office and an Outside Audit & Supervisory Board Member of DYNAM Co., Ltd., BML Inc. and Totenko Co., Ltd. The Company has no special relationships with these companies at which Mr. Suzuki concurrently serves.</p> <p>Mr. Tokuono and the Company have concluded an agreement limiting Mr. Tokuono's liability for damages as Outside Audit & Supervisory Board Member of the Company in accordance with the provisions of the Articles of Incorporation, and the maximum limit on liability under said agreement is the minimum liability amount as provided in laws and ordinances.</p>	<p>The Company elected Mr. Tokuono because he has specialist knowledge and extensive experience gained as a National Tax Agency tax inspector and tax accountant and the Company judged that he could properly audit the Company's management as an expert in tax and accounting. Whilst Mr. Tokuono has never been involved in company management except as an Outside Officer, the Company judged for the reasons outlined above that he is capable of properly executing the duties required of an Outside Audit & Supervisory Board Member.</p> <p>Mr. Tokuono has a high degree of independence, with no direct interest in the Company's management and the Company, therefore, believes that he can duly fulfil the role expected of him by shareholders, etc. which is to supervise those who execute business operations led by the Representative Directors from an independent standpoint.</p> <p>Based on the views outlined above, the Company nominated Mr. Tokuono as an Independent Officer who will pose no risk of a conflict of interests with general shareholders.</p>

[Independent Directors/Accounting Auditor]

Number of Independent Directors/Accounting Auditors	6
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The Company has designated all outside officers who fulfill the qualification requirements for independent officers as independent officers.

[Incentives]

Incentive Policies for Directors

Performance-linked Remuneration

Supplementary Explanation

The Company adopted a stock-based compensation system for directors to increase their motivation to contribute to improvement of business results and enhancement of corporate value in the medium and long term by clarifying the link between directors' compensation and the stock price and having directors share the benefits and risks of stock price fluctuation with the shareholders.

Please refer to the release below for further details of the stock-based compensation system.

https://www.systema.co.jp/pdf/irnews/20190509_3_e.pdf

Recipients of Stock Options

Recipients of Stock Options

[Director Remuneration]

Disclosure (of individual remuneration)

No Individual Disclosure

Supplementary Explanation

The Company discloses aggregate amounts of remuneration for Directors and for Audit & Supervisory Board Members respectively in its annual securities report and business report. The total amount of remuneration for Directors in the fiscal year ended March 31, 2020 was 234 million yen, paid to nine Directors (of which 8 million yen was paid to two Outside Directors) and this includes 19 million yen in expenses recorded in relation to stock-based compensation to seven Directors (excluding the two Outside Directors) pertaining to the current fiscal year. The total amount of remuneration for Audit & Supervisory Board Members was 17 million yen, paid to five Audit & Supervisory Board Members (including one Audit & Supervisory Board Member whose term of office expired at the close of the 37th Annual General Meeting of Shareholders held on June 25, 2019) (of which 17 million yen was paid to the five Outside Audit & Supervisory Board Members).

Policy on Determining Remuneration Amounts and Calculation Methods

Established

Update

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

1. Basic policy

The basic policy on the compensation of Directors (excluding Outside Directors; the same applies hereinafter) shall be to ensure that compensation is provided stably to enable them to stay focused on the achievement of management goals, with an eye toward the sustainable improvement of corporate value through the implementation of the management philosophy, and that the compensation system is synchronized with shareholder interests so that it is an effective incentive for the improvement of business results over the medium and long terms, while also ensuring that the amount of the compensation for each Director is determined in a way that appropriately reflects their responsibilities. Specifically, Directors' compensation shall be comprised of basic compensation, which will be fixed remuneration, and stock-based compensation. In light of Outside Directors' duty to fulfill supervisory functions, their compensation shall be consist of basic compensation alone to ensure independence.

2. Policy for determining the remuneration of each Director individually, including basic compensation (monetary remuneration) (including the policy for determining when remuneration is to be provided and the conditions for providing it)

Basic compensation for Directors (excluding Outside Directors; the same applies hereinafter) shall be monthly fixed remuneration. The Company shall comprehensively determine basic compensation considering titles, duties assigned, business results and other factors, provided that it shall be within the limits of amounts established for each position in the Work Rules for Directors based on the highest salaries of employees. Basic compensation for Directors shall not include any employee salary received by Directors concurrently serving as employees. The Company shall pay basic compensation to Outside Directors in the form of fixed remuneration commensurate with the scale of the Company's business, while also taking into consideration industry standards.

3. Policy for determining the method for calculating the content, amount and number of non-monetary rewards (including a policy for determining when these rewards are provided and the conditions for providing them)

Non-monetary rewards for Directors (excluding Outside Directors; the same applies hereinafter) shall be provided through the Board Benefit Trust. The purpose of these rewards shall be to increase Directors' motivation to contribute to the improvement of business results and the enhancement of corporate value in the medium and long term, by further clarifying the link between Directors' compensation and the stock price and ensuring that Directors share the benefits and risks of stock price fluctuation with shareholders. Based on this concept, separate from the basic compensation described in 2 above, the Company shall contribute money, up to a maximum of 580 million yen (for 10 business years), to be used to acquire shares pursuant to the share delivery rules, and grant points to Directors at a certain time every year according to their level of contribution and within a certain range for each position, provided that the total number of points shall not exceed 97,000 points (one point is equivalent to one share). In principle, Directors shall be eligible to receive delivery of the shares of the Company when they retire as Directors.

4. Policy for determining the ratios of the amount of monetary remuneration and the amount of non-monetary remuneration for individual Directors

The Company shall determine the ratio of compensation by type for Directors (excluding Outside Directors; the same applies hereinafter), taking into consideration the duties fulfilled by the Directors in the improvement of business results in each business year and the enhancement of corporate value over the medium and long term. To determine compensation for each Director, it shall establish a base amount for basic compensation and stock-based compensation, respectively, for each position, where the standard composition of compensation shall be 90% basic compensation and 10% stock-based compensation.

5. Matters concerning the entrustment of decisions regarding the content of the remuneration of each Director to the Directors or other third parties, entirely or in part

The specific content of the remuneration for each Director shall be entrusted to the Representative Director and President based on a resolution at a Meeting of the Board of Directors. The Representative Director and President shall have the authority to decide the basic compensation for each Director, and the stock-based compensation reflecting the point granting criteria specified in the share delivery rules. The Board of Directors shall request the advice of the Representative Director and Chairman and Outside Directors to ensure that this authority is properly exercised by the Representative Director and President.

[Supporting System for Outside Directors and/or Accounting Auditors]

Although the Company does not have full-time staff members to support Outside Directors, staff members from Corporate Administration, which is the secretariat of the Board of Directors, provide them with support and, whenever a Board of Directors meeting is held, these staff members also provide explanations about proposals to be discussed prior to the meeting. The Company does not have full-time staff members to support Outside Audit & Supervisory Board Members either, but the staff members from Corporate Administration provide them with appropriate support.

[Retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)]

Information on retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

Name	Job title/ position	Content of Services	Employment terms (Full/part time, with/ without compensation, etc.)	Date when former role as president/ CEO ended	Term
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Number of retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

0

Others

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

Based on comprehensive judgement of a wide range of factors including agile management through fast decision-making, business scale and the appropriateness of audit functions relative to business size, the Company has adopted an Audit & Supervisory Board Member system, and the Board of Directors and Audit & Supervisory Board are responsible for supervising and auditing business execution.

As of June 24, 2020, the Board of Directors is comprised of seven Internal Directors and two Outside Directors. Ordinary boards meetings are convened once a month and extraordinary meetings are held whenever necessary, and the board makes decisions on important management-related matters and supervises business execution. The Company's Outside Directors have no direct interest in the Company's management and have a high degree of independence and they, therefore, fulfil their function of supervising those who execute business led by the Representative Directors from an independent standpoint.

The Company adopted the Corporate Officer system to build a structure to support directors on the business execution front and to seek to strengthen management's power of execution and energize organizations, and the Company has eleven (11) Corporate Officers as of June 24, 2020. The Company has a Management Meeting as an organization that advises decision-making by the Board of Directors or that gives feedback after decisions are made. The Management Meeting is convened for each division once a month. This meeting is comprised of Directors, including the Representative Directors, Corporate Officers and division managers and, through lively discussions, meeting participants hear a wide range of opinions from those working on the ground and consider them in order to give shape to company strategies.

The Audit & Supervisory Board is made up of four members in total, with one Full-time Outside Audit & Supervisory Board Member and three part-time Outside Audit & Supervisory Board Members. Meetings are convened once a month and, in accordance with the audit policy, audit plan, division of duties, etc. determined by the Audit & Supervisory Board, each Audit & Supervisory Board Member also attends board meetings and other important meetings, express their opinions and otherwise conduct audits to assess whether Directors are properly executing their duties. They also endeavor to improve the effectiveness of audits by cooperating closely with internal audit departments and the Accounting Auditors, including exchanging information and opinions with them.

The Company has an Internal Audit Office (one full-time member) as a business unit which is under the direct control of the Representative Directors and is independent from the business divisions. In accordance with the Internal Audit Rules, the Internal Audit Office conducts mainly organization and system audits, management efficiency audits and accounting audits, periodically or whenever necessary, reports to the Representative Directors and Directors in charge and made recommendations to the audited divisions. The Internal Audit Office also checks the progress of improvements through follow-up audits.

Through cooperation with the Audit & Supervisory Board and the Accounting Auditors, including the exchange of information and opinions with them, the Internal Audit Office also evaluates and considers management activities and endeavors to bring about improvement in management.

Regarding accounting audits, the Company has concluded an audit agreement with KPMG AZSA LLC for audits in accordance with the Companies Act and for accounting audits in accordance with the Financial Instruments and Exchange Act, and audits are conducted in a timely manner as necessary. There are no special conflicts of interest between KPMG AZSA LLC and the Company or between the Partners of KPMG AZSA LLC who perform the audits and the Company. The certified public accountants who executed accounting audits of the Company for the fiscal year ended March 31, 2020 were Tatsunaga Fumikura and Atsushi Kawamura, both of whom belong to KPMG AZSA LLC. They were assisted in the accounting audits of the Company by five certified public accountants and eight others.

3. Reasons for Adoption of Current Corporate Governance System

The Company selected its current corporate governance structure believing that the election of Outside Directors to supervise execution of the Company's

business from an independent and fair standpoint and Outside Audit & Supervisory Board Members who conduct audits of the Company from specialist viewpoints such as legal or tax accounting viewpoints will strengthen the management supervisory function, thereby ensuring management soundness, transparency and efficiency.

III Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanation
Early Notification of General Shareholder Meeting	The convocation notice for the Ordinary General Meeting of Shareholders was issued on June 9, 2020 but was published on the Tokyo Stock Exchange website and the Company's own website 11 days before that, on May 29.
Scheduling AGMs Avoiding the Peak Day	The 38th Ordinary General Meeting of Shareholders (for the period from April 1, 2019 to March 31, 2020) was convened on June 24, 2020, avoiding the dates when shareholders meetings are typically held.
Other	The convocation notice was published on the Company's website. Until last year, the Company held a briefing explaining the business plan after the close of the general meeting of shareholders but this year the meeting was cancelled to avoid the risk of spreading COVID-19.

2. IR Activities

	Supplementary Explanation	Explanation by Representative
Preparation and Publication of Disclosure Policy	The Company has formulated a disclosure policy consisting of five items, namely information about the Company's basic policy, criteria for information disclosure, information disclosure methods, the silent period, and forecasts, and it publishes this policy on its website.	
Regular Investor Briefings for Analysts and Institutional Investors	Briefings for analysts and institutional investors held once every six months are delivered directly by the President & Representative Director and the Director in charge of Finance & Accounting and Directors responsible for each business division also attend as appropriate and provide explanations.	Established
Posting of IR materials on the website	The Company posts information such as financial results summary, financial results briefing videos by President, timely disclosure materials, annual securities report, reference materials for general meetings of shareholders, company briefing materials, shareholder correspondence financial highlights, IR calendar, and stock price information on its website and updates this information when necessary. The Company has also established a webpage for individual investors to enhance the information it provides. The Company periodically renews its website and makes improvements to meet the needs of investors. The Company is also working to make more materials available in English.	
Establishment of Department and/or Manager in Charge of IR	Corporate Administration is in charge of IR and cooperates with each Director, including the Representative Directors, each Corporate Officer and the Finance & Accounting Group to take appropriate action.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Company's basic CSR policy is to properly discharge its responsibility to provide full explanations and to clearly communicate its responsibilities and initiatives not only to customers, shareholders, investors, business partners, employees and other stakeholders but also to wider society and the Company has adopted striving for the creation of a vibrant society as its management philosophy.
Implementation of Environmental Activities, CSR Activities etc.	The Company has established an "Environmental Management Action Policy" with a basic philosophy of contributing to protection of the global environment through corporate activities and is putting into practice the "Systema Environmental Rules". The Company is also implementing environmentally-friendly initiatives based on environmental management system ISO14001 including saving energy, recycling and conserving resources. At the same time, the Company is working to fulfill its corporate social responsibility through a range of initiatives on the themes of observance of laws and regulations (emphasis on compliance and information security), information disclosure, consideration for the environment, customer oriented products and services, job creation and contribution to society.

<p>Development of Policies on Information Provision to Stakeholders</p>	<p>The Company has adopted a disclosure policy consisting of five items, namely information about the Company's basic policy, criteria for information disclosure, information disclosure methods, the silent period, and forecasts, and it publishes this policy on its website.</p>
<p>Other</p>	<p>The Company was recognized under the "2020 Certified Health & Productivity Management Outstanding Organizations Recognition Program"* in recognition of formulation of the "Systema Health Declaration" and the implementation of various initiatives to improve the health of employees. This is its third consecutive certification. The Company believe that its ongoing efforts to energize employees and organizations to improve productivity will ultimately lead to improvement in business results.</p> <p>* The 2020 Certified Health & Productivity Management Outstanding Organizations Recognition Program is run jointly by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi and the Company has been certified for three consecutive years under the large enterprise category.</p>

IV Matters Related to the Internal Control System

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

1. Systems to ensure that the execution of the duties of Directors, etc. and employees of the Company and its subsidiaries complies with laws and regulations and the articles of incorporation

(1) To ensure that officers and employees of the Company and its subsidiaries (hereinafter referred to as the “Group”) act in compliance with laws and regulations and the articles of incorporation, the Group shall establish a management philosophy, requirements for services and code of conduct. To foster a thorough understanding of officers and employees of the Group, the President and Representative Director shall repeatedly convey to them the message that the spirit of regulatory compliance and ethical compliance forms the basis for any and all corporate activities.

(2) The Group shall establish Regulations for the Operation of the Whistleblowing System. Through the whistleblowing system, it shall promote early detection and correction of legal violation and other fraudulent acts and protect whistle-blowers.

(3) As Chief Compliance Officer, the President and Representative Director shall endeavor to develop a company-wide compliance system and to grasp issues. As the section in charge of compliance, Administrative Group shall develop and implement compliance programs on a regular basis.

(4) Members of the Audit & Supervisory Board and Internal Audit Office shall work together to conduct audits of the status of development of a compliance system and report to the Representative Directors and the Board of Directors if there is a problem related to any violation of laws and regulations or the articles of incorporation together with the details of the problem. In the event that a compliance issue arises, the Representative Directors or the Board of Directors shall determine measures for preventing the recurrence of such problems based on the materiality thereof and ensure a thorough understanding of the measures on a company-side basis.

(5) The President and Representative Director, members of the Audit & Supervisory Board and the audit corporation shall meet at regular interval and endeavor to exchange information. The President and Representative Director shall report the results of the above to the Board of Directors on a regular basis.

(6) In the event that an employee breaches laws and regulations or the articles of incorporation, the section in charge of compliance requests the Director in charge of personnel affairs to take action. In the event that an officer breaches laws and regulations or the articles of incorporation, the President and Representative Director shall submit a report describing specific actions to the Board of Directors.

2. Systems related to the retention and management of information pertaining to the execution of the duties of Directors of the Company

Information pertaining to the execution of the duties of Directors shall be recorded and stored in document form or in an electromagnetic format and managed in an appropriate and safe manner in accordance with the Regulations of the Board of Directors, Regulations on Decision-Making, Regulations on Management of Documents and other existing rules and regulations. The Directors and members of the Audit & Supervisory Board may inspect these documents, etc. at any time.

3. Rules and other systems related to management of the risk of loss of the Company and its subsidiaries

(1) The President and Representative Director shall appoint the Director in charge of Administrative Group as Chief Risk Management Officer of the entire company. In cooperation with Directors in charge of individual sections, the Chief Risk Management Officer shall be responsible for the management of existing rules, including the Accounting Regulations, the Sales Management Regulations, the Credit Management Regulations, the Project Management Regulations, and the Software Management Regulations, and the formulation of other necessary rules for systematic management of risks by category.

(2) The Administrative Group shall exhaustively and comprehensively manage risks on a group-wide basis.

(3) The Internal Audit Office shall audit the risk management status of each section of the Group and report to the President and Representative Director. Based on the results of internal audits, the President and Representative Director shall have the Chief Risk Management Officer review the status of progress of risk management of the overall company and report to the Board of Directors on a periodic basis. The Board of Directors shall deliberate on and determine measures for improvement.

(4) To secure the Group’s business continuity when an unforeseen incident or an emergency situation arises, the Company shall develop a Business Continuity Plan (BCP) as a contingency plan for the Group and fully inform its officers and employees of the plan.

4. Systems to ensure that the duties of Directors, etc. of the Company and its subsidiaries are executed efficiently

By clarifying the responsibilities and persons in charge and prescribing the detailed procedures for performing each responsibility in the Organization Regulations, the Regulations for Division of Duties, the Regulations on Decision-Making and other rules, the Company shall establish a system for ensuring that the duties of Directors, etc. are executed efficiently and shall have its subsidiaries establish systems in compliance with the above. Moreover, the Company shall facilitate the efficient execution of the duties of Directors, etc. by using the management systems described below.

1) Formulation of rules on job functions and decision making

2) Establishment of Business Promotion Meeting for efficient project management and operation

3) Establishment of Management Meeting consisting of Directors, Executive Officers and section heads as an advisory body for the Board of Directors with respect to important policies for the management, etc. of the Company and important business execution

4) Formulation by the Board of Directors of a Group medium-term business plan for a three fiscal year period, in principle, establishment of performance goals and budgets for each business section based on the medium-term business plan and implementation of monthly and quarterly performance management using information technology

5) Review of monthly performance by the Management Meeting and the Board of Directors and implementation of improvement measures

5. System for reporting to the Company of matters pertaining to the execution of the duties of the Directors, etc. of the subsidiaries

(1) At the Management Meeting of the Company held once a month, Representative Directors of the subsidiaries shall be obliged to report to the Company their sales performance, financial situations and other important information.

(2) A subsidiary shall be obliged to promptly report to the Company any important event arising at the subsidiary.

6. Systems necessary to ensure the appropriateness of the business activities of the group of enterprises consisting of the Company and its subsidiaries

(1) By maintaining a collaborative relationship and sharing information with the Company, each subsidiary shall autonomously develop an internal control system in light of its corporate size, business description and other corporate characteristics.

(2) In accordance with the Regulations for Managing Subsidiaries and Affiliates, the Corporate Planning & Administration Office shall conduct the necessary administration of subsidiaries and affiliated companies according to their situation. The management of each subsidiary shall be appropriately conducted by a Director or a member of the Audit & Supervisory Board dispatched from the Company to the subsidiary.

(3) Directors (of the Company) shall monitor and supervise the execution of the duties by the Directors of the Group companies. Members of the Audit & Supervisory Board shall audit the status of the execution of business operations of the Group.

(4) The Internal Audit Office shall perform internal audits of all business operations of the Group and secure the effectiveness and validity of the Group’s internal control systems.

7. Matters related to the employee if members of the Audit & Supervisory Board have requested that an employee be appointed to assist with their duties, matters related to the independence of said employee from Directors and matters for ensuring the effectiveness of instructions to said employee

(1) Members of the Audit & Supervisory Board may request an employee belonging to Corporate Administration to provide assistance necessary for audit operations, and said employee shall follow instructions and orders from Audit & Supervisory Board members.

(2) An employee belonging to Corporate Administration who is requested by members of the Audit & Supervisory Board to provide assistance necessary for audit operations shall not follow instructions and orders from Directors, Head of Internal Audit Office, etc. with respect to orders from Audit & Supervisory Board members.

(3) Transfers and evaluation of and disciplinary measures against an employee belonging to Corporate Administration who is requested by members of the Audit & Supervisory Board to provide assistance necessary for audit operations shall be carried out with the prior consent and opinions of the Audit

& Supervisory Board members.

8. System for Directors and employees to report to members of the Audit & Supervisory Board and other systems related to reporting to the Audit & Supervisory Board members

Matters to be reported to members of the Audit & Supervisory Board shall be provided for in the Regulations for the Audit & Supervisory Board and Directors and employees shall report the following matters:

- 1) Matters that may cause serious damage to the Company
- 2) Serious violations of laws and regulations or the articles of incorporation
- 3) Matters resolved at the Management Meeting
- 4) Important matters concerning monthly management situation
- 5) Important matters concerning internal audit status and risk management
- 6) Other important compliance matters

9. System for Directors, members of the Audit & Supervisory Board, etc. and employees of a subsidiary or for a person who received reporting from the above persons to report to members of the Company's Audit & Supervisory Board

- (1) In the event that any of the officers and employees of the Group finds any violation, etc. of laws and regulations, etc. and other fact that may cause significant damage to the Group, he/she shall immediately report to members of the Company's Audit & Supervisory Board.
- (2) Internal Audit Office shall hold a debriefing meeting to report to members of the Company's Audit & Supervisory Board on a periodic basis regarding the current status of the Group's internal audit, compliance and risk management.
- (3) General Affairs Department, Administrative Group shall report to members of the Company's Audit & Supervisory Board on a periodic basis regarding the status of whistleblowing from officers and employees of the Group.

10. System to ensure that a person who reported to members of the Board of Directors does not suffer from any disadvantageous treatment due to such reporting
The Regulations for the Operation of the Whistleblowing System established by the Group provide for that officers and employees of the Group may directly perform whistleblowing to members of the Company's Audit & Supervisory Board and that dismissal due to such whistleblowing and any other disadvantageous treatment against said whistleblower is explicitly prohibited.

11. Matters concerning policy on procedures for advance payment or reimbursement of expenses arising from the execution of the duties of members of the Audit & Supervisory Board or on handling of other expenses or payables arising from the execution of said duties

When members of the Audit & Supervisory Board request the advance payment, etc. of expenses arising from the execution of the duties thereof, said expenses or payables shall promptly be processed unless it is deemed unnecessary for the execution of said duties.

12. Other systems for ensuring that audits by members of the Audit & Supervisory Board are performed effectively

- (1) The Company shall work to develop an environment for audits by the members of the Audit & Supervisory Board by ensuring that its officers and employees deepen their understanding of audits by the Audit & Supervisory Board members.
- (2) By providing the members of the Audit & Supervisory Board with opportunities for individual interviews with each Executive Director and key employees no less than twice a year (excluding cases in which said members deem it necessary to hold ad hoc interviews), holding meetings to exchange opinions respectively with the President and Representative Director and the audit corporation on a periodic basis and working to promote collaboration with Internal Audit Office, the Company shall ensure appropriate communications and the effective execution of audit operations.

13. Development of a system to ensure appropriateness of financial reporting

- (1) To ensure appropriate financial reporting, the Company shall establish rules, procedures, etc. for accounting operations based on this policy, thereby working to develop a system for internal controls regarding financial reporting and to improve its validity.
- (2) Internal Audit Office shall conduct regular audits of internal controls regarding financial reporting and shall evaluate the validity of such internal controls. If corrections and improvements are needed, the Internal Audit Office shall promptly report to the Representative Directors and members of the Audit & Supervisory Board and the section shall formulate remedies.

14. Matters concerning the development of a system for the elimination of anti-social forces

- (1) It is the Company's basic policy to have no association with any organized crime group or any other anti-social forces that pose a threat to the order of the company or civil society, to stand firmly against undue claims and to provide no benefits to anti-social forces. By explicitly stating the above in the Code of Conduct, the Company shall ensure that all officers and employees have a thorough understanding thereof.
- (2) In the event of contact or undue claims from anti-social forces, the Administrative Group shall deal with them as the section in charge by closely collaborating with the police, lawyers and other external professional institutions.

2. Basic Views on Eliminating Anti-Social Forces

(1) Basic Views

The Company's basic policy is not to have any relations whatsoever with organized crime groups or other antisocial forces which threaten enterprises or the order of civil society and to not to succumb to unjust demands nor offer them any benefits.

(2) Development of systems

The Group clearly specifies in the "Systema Groups Standards of Conduct" that "We will maintain the posture of eliminating all ties with antisocial forces and illegal organizations that threaten social order and safety, and take action with an uncompromising and resolute stance against unreasonable demands" and seeks to instill these Standards of Conduct in all employees.

(Department in charge)

The Administrative Group is responsible for dealing with any contract or unjust demands from antisocial forces in close cooperation with the police, attorneys-at-law and other specialists and the person responsible for dealing with such matters is the Director for the Administration Group, who should be assisted by the General Manager of the Administration Group and the Manager of Corporate Administration. Any suspicious conduct on the part of an officer or employee in connection with antisocial forces, or any unjust demand by antisocial forces should be reported promptly to the business unit in charge of dealing with such matters, and the whistle-blowing system should be used to report any such matter to the company via the internal contact point or the external contact point (attorney-at-law).

(Cooperation with specialist outside agencies)

To eliminate violent crime of all types against enterprises and to strengthen its corporate defenses, the Company cooperates with outside agencies such as the police, the National Center for Removal of Criminal Organizations and attorneys-at-law to gather information needed for its corporate defenses whilst also engaging in activities to raise awareness among officers and employees.

(Provision of manual for dealing with antisocial forces)

The Company provides a manual for dealing with violent crime against businesses. As regards business partners' "relations with antisocial forces," the Company confirms that counterparties to transactions "do not have relations with antisocial forces" through credit searches and other means before commencing transactions.

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures

Not Adopted

Supplementary Explanation

2. Other Matters Concerning to Corporate Governance System

1. Person responsible for timely disclosure and business unit in charge of timely disclosure

The Company appoints an officer in charge of information disclosure by resolution of the Board of Directors as the person responsible for managing inside information (Chief Information Officer), and the Director who is responsible for the Administrative Group or the Finance & Accounting Group assumes this post. The person responsible for handling information who must be appointed in accordance with the Timely Disclosure Rule is the manager of Corporate Administration. Regarding the execution of information disclosure operations, the Company has developed and operates a structure for identifying information that is important when investors make investment decisions and ensuring accurate and fair disclosure of information to the Tokyo Stock exchange without delay in accordance with internal regulations ("Rules for Prevention of Insider Trading" and "Information Disclosure Manual"), with Corporate Administration preparing the disclosure document for information about facts which have occurred or decisions and the Finance & Accounting Group preparing disclosure documents with respect to information about financial results.

2. Inside information management structure pertaining to timely disclosure

- 1) The Company appoints an officer in charge of information disclosure by resolution of the Board of Directors as the person responsible for management of inside information (Chief Information Officer) and also appoints the general manager of each division as persons responsible for information management.
- 2) When a material fact occurs, the persons responsible for information management report promptly to the officer in charge of information disclosure and endeavor to prevent the information from being leaked internally or outside the company.
- 3) The officer in charge of information disclosure discusses the newly gained information with the President and other persons deemed necessary and judges whether the information falls under matters to be disclosed defined in the "Timely Disclosure Rules."
- 4) In the case of information deemed to fall under matters to be disclosed defined in the "Timely Disclosure Rules," the officer in charge of information disclosure ensures inside information management and discloses the information at the appropriate time and by the appropriate method.
- 5) Material corporate information which falls under matters to be disclosed defined in the "Timely Disclosure Rules" is disclosed with the approval of the Board of Directors, in principle.
- 6) Information which does not fall under timely disclosure information but whose disclosure is judged beneficial (PR information) is actively disclosed based on the judgement of the officer in charge of information disclosure or the President.
- 7) When disclosing information, the Company initially uses the Timely Disclosure Network (TDnet) provided by the Tokyo Stock Exchange and then also promptly discloses the information on its website.
- 8) The Company seeks to raise awareness of the abovementioned management methods companywide by disclosing the "Rules for Prevention of Insider Trading" and the "Information Disclosure Manual" on the Intranet (internal bulletin board).

3. Information disclosure procedure for decisions which have been made and facts which have occurred

Such information is submitted to the Tokyo Stock Exchange via the TDnet system and materials are also submitted to the press club where necessary.

【Reference Material: Diagram】

