

[Translation of the Corporate Governance Report filed with the Tokyo Stock Exchange on December 26, 2023]

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Corporate Governance Report

Last Update: December 26, 2023

Internet Initiative Japan Inc.

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Securities Code: 3774

<https://www.ij.ad.jp/en/>

The corporate governance of Internet Initiative Japan Inc. (the “Company”) is described below.

I. Basic Policy on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Policy

The Company recognizes the extreme importance of enhancing and implementing corporate governance to achieve its mission of supporting and operating Internet which has become indispensable social infrastructure and to consistently enhance its corporate value. The Company recognizes that it has social responsibilities towards a wide range of stakeholders including shareholders, customers, vendors, employees and the entire Internet users. Therefore, considering the importance of the Company’s influence on society, the Company thinks it’s necessary to strive to obtain understandings of various stakeholders.

The Company's Board of Directors consists of fourteen directors, including five independent outside directors and the Company's Board of Company Auditors consists of four company auditors, including three independent outside company auditors. Further, the Company has the Internal Auditing Office consisting of five members, including a manager. The Company has adopted the executive officer system to realize its rapid and efficient business execution.

Oversight and supervision of business execution is carried by means of ordinary (monthly) and extraordinary meetings of the Board of Directors, management meetings consisting of full-time directors, executive officers, etc., and monitoring and giving the necessary instructions to each of business, project, subsidiary, etc. Oversight on business management and business audit are carried by means of ordinary (monthly) and extraordinary meetings of the Board of Company Auditors, assignment of a financial expert/legal expert in the Board of Company Auditors, conducting continuous audit including domestic subsidiaries as well as overseas by Company Auditors and the Internal Auditing Office, and operation of its whistleblowers hotline system. Business activities by directors and employees of the Company and its subsidiaries are governed by the Code of Ethics, the Basic Rules for Internal Control, etc.

[Reason for Non-compliance with each Principle of the Corporate Governance Code]

The Company implements each principle of the Japan's Corporate Governance Code.

[Disclosure each Principle of the Corporate Governance Code]

【Principle 1.4】

Considering the Company's business strategies, relationships with its business partners, and cost of capital thoroughly, the Company might hold shares of listed companies as strategic shareholdings in some cases if the Company believes such shareholdings enhance its corporate value and bring profit to its shareholder. Regarding strategic shareholdings, the Company sold all shares of two stocks in FY2017 and a part of one stock in FY2019. The Company held four stocks, the fair value of which was ¥7.83 billion on the balance sheet, as of March 31, 2023. The Company confirms whether the margins generated from ongoing transactions and dividends received, with each investee as strategic shareholding, exceed its cost of capital on an annual basis, and evaluates and decides the propriety of the strategic shareholdings based on historical records and future prospects in business transactions and business contribution in terms of its cost of capital. Regarding the exercise of voting rights for strategic shareholdings, the Company comprehensively reviews management policies and business situations as well as the contents of proposed subjects to be resolved at general meetings of those companies. The Company exercises voting rights from the viewpoint that its voting leads to an improvement of those companies' corporate value in the medium- to long-term.

【Supplemental Principle 1.4.1】

If a shareholder who holds the Company's shares as strategic shareholdings shows an intention of selling, the Company makes an effort to resolve a factor which is thought to be not effective. However, the Company will not make any action to prevent the shareholder's intent to sell our shares, such as reduction of business transaction.

【Supplemental Principle 1.4.2】

The Company does not and will not have a transaction that lacks in economic rationality or harms the benefit of both the Company and its shareholders, with a shareholder who holds our shares as strategic shareholdings.

【Principle 1.7】

Regarding conflict-of-interest transactions with directors, the Company requires an approval from the Board of Directors in compliance with the Companies Act of Japan. Transactions with related parties are annually reported to the Board of Directors.

【Supplemental Principle 2.4.1】

The Company' policies and voluntary and measurable targets for ensuring diversity in core human resources are as follows:

< Ensuring diversity in core human resources etc.>

[Policies for ensuring diversity in core human resources]

As one of the business philosophy, the Company and its group companies ("the Group") sets "We aim to offer meaningful working opportunities for growth through business, in which our staff with diversified talents and values can take a proactive approach to technical innovation and social contribution, and actively demonstrate their abilities with pride and a sense of satisfaction". The Group has hired diverse human resources irrespective of gender, nationality, disability, other personal attributes, and whether they are new graduates or mid-career hires, and the Group has deployed and promoted them based on their ability and performance with respect for various perspectives and values. The Group believes that the continuous pursuit of the above business philosophy will lead to creating new technologies and values.

[Characteristics of human resource structure]

As of April 2023, approximately 70% of the total employees in the Group belonged to technology and service departments, and most of them were recruited from universities and other educational

backgrounds in science and engineering where the ratio of female was low. In addition, the Company was founded in 1992, and in the early days of its business, it had not hired new graduates but mid-career professionals, which resulted in a structural characteristic that the ratios of male employees and mid-career hires are higher in older age groups.

<Regarding voluntary and measurable targets for ensuring diversity in core human resources etc.>

[Female employees]

Due to the above characteristic of human resource structure, the ratio of female managers in the Company was 6.3% as of April 2023. The ratio of female employees hired in recent years has risen to approximately 27%, and the number of female managers has gradually increased as well. Since the Company has been continuously enhancing its systems and work environment to balance work and family life such as childcare, the ratio of female managers is expected to increase organically. The ratio of female managers is estimated to be 6% or more in FY2024 and 8% or more in FY2027, respectively. As of April 2023, one year ahead of the schedule, the Company achieved the target ratio of female managers of over 6% in FY2024.

[Mid-career hires]

The ratio of mid-career hires in management positions of the Company as of April 2023 was comparatively high at approximately 75%, owing partly to the above characteristic of human resource structure. The Group's current basic policy for hiring is to hire and train new graduates as its major human resources with hiring mid-career professionals for immediate business needs. Therefore, the Group expects the ratio of mid-career hires in management positions to decline organically. The Group does not set a specific target of the ratio of mid-career hires.

[Non-Japanese Employees]

In line with the Group's business philosophy, the Group continues to hire employees irrespective of nationality, etc. The Group has employed non-Japanese people as Internet-related technical researchers and other positions, but it does not set a specific number target for the ratio of non-Japanese employees since its business is mainly conducted in Japan. The Group has been developing overseas business as part of its business, and it had 139 non-Japanese employees in Japan and other countries, 41 of which were managers as of April 2023.

Regarding the Company's policy for human resource development, internal environments and status of implementation, etc. for ensuring diversity, please refer to the Company's IR website "Integrated Report Portal" "Sustainability" "Material issue 3." (<https://www.ij.ad.jp/en/ir/integrated-report/sustainability/materiality03/>)

【Principle 2.6】

The Company outsources its corporate pension management to a third party asset management firm. CFO, finance, accounting and human resources divisions thoroughly review and monitor the performance, management policy, operation structure and process of the pension management firm. The status is annually reported to the Board of Directors.

【Principle 3.1】

- (i) Regarding the Company's business philosophy, business strategies and business plans, please refer to the Company's IR website "Management Policy" under "Business Philosophy and Mid-term Plan." (<https://www.ij.ad.jp/en/ir/policy/philosophy/>)
- (ii) Regarding the Company's basic policy and guideline on corporate governance, please see "I.1. Basic Policy" of this report.
- (iii) Regarding the Company's policies and procedures for the Board of Directors to determine remunerations for directors and executive officers, please see "II.1. [Director Remuneration]" of this report.

- (iv) Regarding the Company's policies and procedures for elections of management executives and nomination of candidates for directors and company auditors, please see "II .2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of the Current Corporate Governance System)" of this report.
- (v) The reasons for the election of candidates for directors and company auditors are described on the Convocation Notice of the 31st Ordinary General Meeting of Shareholders.

【Supplemental Principle 3.1.3】

The Company's basic policy for sustainability, relevant material issues and initiatives are disclosed on the Company's IR website "Human Capital" under "Integrated Report Portal" (https://www.ij.ad.jp/en/ir/integrated-report/human_capital/) and "Sustainability." (<https://www.ij.ad.jp/en/ir/integrated-report/sustainability/>)

The Company's human capital and intellectual property are disclosed on the Company's IR website "Sustainability" "Material issue 3" under "Integrated Report Portal." (<https://www.ij.ad.jp/en/ir/integrated-report/sustainability/materiality03/>)

The Company's climate-related disclosures based on the TCFD framework etc. are disclosed on the Company's IR website "Information Disclosure based on the TCFD Recommendations" under "Integrated Report Portal." (<https://www.ij.ad.jp/en/ir/integrated-report/tcfd/>)

The Company has established the "Sustainability Committee," chaired by the President, to promote these activities as a company-wide initiative. The Company will implement PDCA activities to reduce the environmental impact, and enhance information disclosure to our stakeholders.

【Supplemental Principle 4.1.1】

In accordance with the Code of Board of Directors and the Guidelines for the resolution matters by the Board of Directors, matters to be resolved at the Board of Directors and required significant judgment on business management are determined by the Board of Directors in compliance with the Companies Act of Japan and other laws. In addition, management meeting, which includes President, directors and executive officers who are appointed by President, implements smooth, rapid decision-making and supervision on business operations. In order to accelerate decision-making, the Board of Directors elects executive officers who commit on business execution, and delegates an authority to them in accordance with the Code of Administrative Authority.

【Principle 4.8】

The Company has fourteen directors including five independent outside directors.

【Principle 4.9】

In addition to the requirement of outside directors as set forth by the Companies Act of Japan and the standards established by Tokyo Stock Exchange, Inc., the Company sets the 'Standards on the Independence of Outside Directors and Outside Company Auditors' which includes condition on sufficient independence. The Company selects independent outside directors and outside company auditors based on these criteria which are as follows.

(Standards on the Independence of Outside Directors and Outside Company Auditors)

The company deems that outside directors and outside company auditors do not fall under any one of the categories below

- (1) Major shareholders holding voting rights equivalent to 10% or more of the total voting rights of the Company, or in the case of a corporation or organization, an executive of that corporation or organization
- (2) An executive of a major client of the Company or its subsidiaries, or executive of a corporation or organization that deals with the Company or its subsidiaries as a major business partner (*1)
- (3) An executive of a financial institution to which the Company owes significant borrowings (*2)

- (4) A person who receives significant amounts of remuneration or other economic benefit (other than their remuneration as a director or company auditor) as a consultant, accountant, or lawyer for the Company or its subsidiaries, or where a corporation or organization, a person belonging thereto (*3)
- (5) An executive of a corporation or organization that receive significant donations from the Company or its subsidiaries (*4)
- (6) A person who served a corporation or organization falling under any of the categories (1) to (5) above as an executive within the past three years
- (7) A spouse or relative within two degrees of kinship of a person falling under any of the categories below
 - A person falling under any of the categories (1) to (5) above
 - A person who is a director or executive of a subsidiary of the Company
- (8) Other than above, a person who is deemed to have a lack of independence by comprehensive consideration of the company

Even if a person fails under any of the conditions from (1) through (8) as stipulated above, any reason for judging that such person still has independence is required to be explained and disclosed when such person is appointed as an independent director or company auditor.

*1 Classification into the category of “major client of the Company or its subsidiaries” is judged according to the annual sales that the Company or its subsidiaries had with the client in any fiscal year out of the most recent three fiscal years: whether or not they exceed 2% of the annual sales of the Company or its subsidiaries.

Classification into the category of a “corporation or organization that deals with the Company or its subsidiaries as a major business partner” is judged according to the annual sales that the corporation or organization had with the Company or its subsidiaries in any fiscal year out of the most recent three fiscal years: whether or not they exceed 2% of the annual sales of the corporation or organization.

*2 Classification into the category of “significant borrowings” is judged according to the amount of those borrowings: whether or not they exceed 2% of the gross assets of the Company in any fiscal year out of the most recent three fiscal years.

*3 Classification into the category of “significant amounts of remuneration or other economic benefit” is judged according to the benefit that the person has received from the Company or its subsidiaries (other than their remuneration as a director or company auditor) in any fiscal year out of the most recent three fiscal years: whether or not the person has received remuneration or other economic benefit of ¥10 million or more; or where the person belongs to a corporation or organization, whether or not that corporation or organization has received from the Company or its subsidiaries remuneration or other economic benefit that exceeds 2% of the annual sales of the corporation or organization in any fiscal year out of the most recent three fiscal years or ¥10 million, whichever is higher.

*4 Classification into the category of “significant donations” is judged according to the amount of donations in any fiscal year out of the most recent three fiscal years that have been received from the Company or its subsidiaries: whether or not they exceed ¥10 million a year or 2% of the annual total costs of the corporation or organization, whichever is higher.

【Supplemental Principle 4.10.1】

The Company's “Nomination and Remuneration Committee” is a voluntary committee and consists of 2 representative directors and 5 independent outside directors. The Nomination and Remuneration Committee is dominated by independent outside directors, which enhances the independence and objectivity of the committee. Matters related to the nomination and remuneration of directors are consulted with the Nomination and Remuneration Committee, which evaluates and verifies their appropriateness before decision-making procedures such as at the General Meeting of Shareholders and the meeting of the Board of Directors. Each member of the Nomination and Remuneration Committee evaluates the suitability of directors through the observation of discussions at the meetings of the Board of Directors, etc.

【Supplemental Principle 4.11.1】

In order to best execute and expand the group business as a whole, regardless of seniority and being internal or external as well as without being caught regards of only gender and internationality, based on the Criteria for Company Directors and Company Auditors Appointment, the Company submits candidates proposals for company directors, with diverse candidates who have knowledge, experience, capability and integrity in each business areas, to the Nomination and Remuneration Committee. After the Committee discusses the proposal, the candidates are selected.

Regarding the selection of company auditors, based on a basic policy, the Company selects candidates who have appropriate experience and capability as well as necessary knowledge in finance, accounting and compliance.

The Company's Board of Directors consists of appropriate members who have extensive experience and high-level expertise necessary for the Company in comparison with the "Director Skill Matrix," which defines clearly requirements for directors in order to realize its business philosophy. Full-time directors are mainly appointed from those who are familiar with the IT industry, including members who have been involved in its foundation, and outside directors are mainly appointed from those who have extensive experience and knowledge as top management of large companies. Regarding the skill matrix of current directors of the Company, please refer to the "Directors' Skill Matrix (Reference Material)."

【Supplemental Principle 4.11.2】

Directors and company auditors who serve concurrently for other listed companies remain in a reasonable range, and their services are noted each year in the Notice of Convocation of General Shareholders' Meeting.

【Supplemental Principle 4.11.3】

With regard to the effectiveness of the Board of Directors, the Company annually conducts a survey on evaluation of the effectiveness of the Board of Directors to all directors and company auditors, organizes and analyzes the results of the survey, and then reports it to the Board of Directors from FY2015. Based on the results of the survey, the Company operates to improve the effectiveness of the Board of Directors as necessary. Regarding the operation of the Board of Directors in FY2022, the system of the Board of Directors including independent directors is established, the information needed for discussion and judgment in the Board of Directors is sufficiently offered, each of the directors states from the various aspects, the operations of the Board of the Directors such as frequency and the operation on the day is appropriately set, and therefore the company recognizes that the effectiveness of the Board of Directors validly functions as a self-evaluation.

【Supplemental Principle 4.14.2】

The Company conducts training programs for new elected directors and company auditors about their duties and responsibilities. The Company provides sufficient opportunities to show their ability in the business areas in charge and supports them to obtain business knowledge at a sufficient level.

【Principle 5.1】

The Company has established policies and organizations to promote constructive dialogues with shareholders which should contribute to its sustainable growth and corporate value improvement in the medium- to long-term as follows:

- (i) Designation of a director in charge of the dialogue with shareholders
In order to promote the constructive dialogue with shareholders and investors, the Company designates CFO as a director responsible to IR activities.
- (ii) Measures to create organic cooperation among the Company's internal departments
The company has established the "Disclosure Committee" which is mainly consisted of directors, company auditors and executive officers. The "Disclosure Committee" verifies and approves the contents of disclosure documents. In addition, the Company has established the "Disclosure Consideration Preparation Working Group" which CFO is responsible for and consists of internal

departments or functions of IR, budget, finance, accounting and legal to control information disclosure process. By having the “Disclosure Committee” and “Disclosure Consideration Preparation Working Group,” the Company discloses important information in properly, timely and fairly manner.

(iii) Efforts to enhance dialogue - means other than face-to-face individual interview

The Company holds several opportunities for analysts and institutional investors such as quarterly results briefings, participation in investor conferences and briefings on non-financial issues including technology theme. The Company also holds opportunities for individual investors such as briefings about the Company from time to time. The Company intends to continue these activities.

(iv) Measures to share shareholders’ opinions and concerns to the management executives

Shareholders' and investors’ comments and concerns which the Company learns from dialogues are reported to the Company’s management executives in a timely manner through various means including periodic internal meetings. In addition, the Company made the “IIJ Board of Directors Dashboard,” an information sharing tool including outside directors, to provide feedback to management about the status of interviews, recommendations by shareholders, major questions and answers.

(v) Measures related to manage insider information

The Company takes great care of insider trading prevention, including the establishment of the “Insider Trading Prevention Rule” that apply to all directors and employees of the Company and its subsidiaries. Regarding dialogues with shareholders and investors, the Company has established the “Disclosure Policy” in accordance with compliance, and engages in appropriate disclosures and provision of information.

【Measures to realize Management that considers Capital Costs and Stock Prices】

Regarding the Company’s measures to realize management that considers capital costs and stock prices, please refer to the Company’s IR website “Financial Strategy” under “Integrated Report Portal.” (https://www.iij.ad.jp/en/ir/integrated-report/financial_strategy/)

【Communication with Capital Markets】

The Group is in the middle of growth in a rapidly changing and growing market, and the Group recognizes that close communication with the capital markets is very important to share its business model, business strategy and direction. The Company is devoted to dialogue with institutional investors and analysts, and the status of meetings and their recommendations are shared with the Board of Directors in a timely manner. Regarding the details of communication with capital markets, please refer to the Company’s IR website “Financial Strategy” under “Integrated Report Portal.” (https://www.iij.ad.jp/en/ir/integrated-report/financial_strategy/)

2. Capital Structure

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

Name / Company Name	Number of Shares Owned	Percentage (%)
KDDI Corporation	20,387,000	11.53
The Master Trust Bank of Japan, Ltd. (Trust account)	19,397,300	10.97
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	12,227,000	6.92
Custody Bank of Japan, Ltd. (Trust account)	11,514,200	6.51

NTT Communications Corporation	8,160,000	4.62
ITOCHU Techno-Solutions Corporation	7,808,000	4.42
Koichi Suzuki	7,401,389	4.19
The Dai-ichi Life Insurance Company, Limited (Standing proxy: Custody Bank of Japan, Ltd.)	5,092,000	2.88
KS Holdings Inc.	3,240,000	1.83
MUFG Bank, Ltd.	2,744,000	1.55

Controlling Shareholder (except for Parent Company)	–
Parent Company	None

Supplementary Information

- (1) The above "Status of Major Shareholders" is based on the list of shareholders as of September 30, 2023.
- (2) The percentage are rounded to two decimal places.
- (3) Numbers of shares held by The Master Trust Bank of Japan, Ltd. and Custody Bank of Japan, Ltd. are those related to trust business.
- (4) KS Holdings Inc. is a wholly owned and controlled (indirect) by Mr. Koichi Suzuki.
- (5) There was a change in our major shareholders due to the partial sale of shares of common stock held by Nippon Telegraph and Telephone Corporation, the acquisition of shares of common stock by KDDI Corporation, the acquisition and cancellation of treasury stock, etc.
- (6) Global Alpha Capital Management Ltd. ("Global Alpha") filed a report of substantial shareholding on October 27, 2023. According to the filing, Global Alpha owned 9,167,654 shares of common stock of the Company as of October 23, 2023, representing 5.0% of the total at that point. Since then, we have not been notified about any filings by Global Alpha. Their holdings were not verified based on the shareholder record as of September 30, 2023, therefore, Global Alpha and their holdings are not included in the above list.
- (7) There were 6,329,602 shares of treasury stock, which were not included in the above table.

3. Corporate Attributes

Stock Exchange and Market Section	Tokyo Stock Exchange Prime Market
Fiscal Year-End	End of March
Type of Business	Information & Communication
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Revenues (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
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 the event of Transactions with Controlling Shareholder

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5. Other Particular Conditions which may have Material Impact on Corporate Governance

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

1. Organizational Composition and Operation

Organizational Form	Company with the Board of Company Auditors
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	Fourteen persons
Term of Office Stipulated in Articles of Incorporation	One year
Chairperson of the Board	Chairman (except for concurrently serving as President)
Number of Directors	Fourteen persons
Election of Outside Directors	Elected
Number of Outside Directors	Five persons
Number of Independent Directors within the Outside Directors	Five persons

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Takashi Tsukamoto	From other company					△						
Kazuo Tsukuda	From other company								△			
Yoichiro Iwama	From other company								△			
Atsushi Okamoto	From other company											
Kaori Tonosu	From other company								△			

* Selected the relevant "Relationship with the Company"

**○" indicated the relevant item that the person presently falls or has recently fallen under the category;

"△" indicated the relevant item that the person fell under the category in the past

**●"indicated the relevant item that the person's close family member presently falls or has recently fallen under the category;

"▲"indicated the relevant item that the person's close family member fell under the category in the past

a. Executive of the Company or its subsidiaries

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

c. Executive of fellow subsidiaries 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 listed company or an executive thereof

f. A consultant, accounting expert or legal expert who receives significant remuneration or other assets from the Company other than remuneration as a director/company auditor

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

h. Executive of a client or supplier of the Company (does not fall under any of d, e, or f) (the director himself/herself only)

i. Executive of a company whose outside directors/ company auditors assume the post on a reciprocal basis with the Company appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Other

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Information of the Relationship	Reasons for Election
Takashi Tsukamoto	○	<p>Mr. Tsukamoto formerly served as an executive of Mizuho Bank, Ltd., which is one of the Company's borrowing banks, and its parent company, Mizuho Financial Group, Inc.; however, he had already left those roles in 2014. He is currently an Honorary Advisor of Mizuho Financial Group and not engaged in any business execution. Accordingly, the Company has evaluated that he has sufficient independence. In addition, sales for Mizuho Bank, Ltd. and Mizuho Financial Group, Inc. were less than 1% of the Company's total sales, and payments for Mizuho Bank, Ltd. and Mizuho Financial Group, Inc. were less than 1% of their total sales.</p>	<p>Mr. Tsukamoto served as the President and CEO, and Chairman of Mizuho Bank, Ltd., and has abundant experience and profound knowledge in the field of global business, finance and accounting, governance, etc. He has been appointed as an Outside Director of the Company since June 2017, and has provided useful advice and supervision to the Company's management. The Company therefore continues to reappoint him as an Outside Director. Since he satisfies independence criteria stipulated by Tokyo Stock Exchange, Inc., etc., the Company believes that he is qualified as an independent director who is free from the possibility of conflicts of interest with general shareholders.</p>
Kazuo Tsukuda	○	<p>Mr. Tsukuda formerly served as an executive of Mitsubishi Heavy Industries, Ltd., which is one of the Company's clients; however, he had already left the role in 2013 and he is not engaged in any business execution. Accordingly, the Company has evaluated that he has sufficient independence. In addition, sales for Mitsubishi Heavy Industries, Ltd. were less than 1% of the Company's total sales, and payments for Mitsubishi Heavy</p>	<p>Mr. Tsukuda served as the President and Representative Director, and Chairman of the Board and Representative Director, of Mitsubishi Heavy Industries, Ltd, and has abundant experience and profound knowledge in the field of technology, R&D, global business, governance, etc. He has been appointed as an Outside Director of the Company since June 2020, and has provided useful advice and supervision to the Company's management. The Company therefore continues to reappoint him as an Outside Director. Since he satisfies independence criteria stipulated by Tokyo Stock Exchange, Inc., etc., the Company believes that he is qualified as an independent director who is free from the possibility of conflicts of interest with general shareholders.</p>

		Industries, Ltd. were less than ¥10 million.	
Yoichiro Iwama	○	Mr. Iwama formerly served as an executive of Tokio Marine Asset Management Co., Ltd., which is one of the Company's clients; however, he had already left the role in 2009 and he is not engaged in any business execution. Accordingly, the Company has evaluated that he has sufficient independence. In addition, sales for Tokio Marine Asset Management Co., Ltd. were less than 1% of the Company's total sales, and payments for Tokio Marine Asset Management Co., Ltd. were less than ¥10 million.	Mr. Iwama served as the President and Representative Director of Tokio Marine Asset Management Co., Ltd., and a member of the follow-up meetings of the Stewardship Code, the Corporate Governance Code, etc., and has abundant experience and profound knowledge in the field of global business, finance and accounting, governance, etc. He has been appointed as an Outside Director of the Company since June 2021, and has provided useful advice and supervision to the Company's management. The Company therefore continues to reappoint him as an Outside Director. Since he satisfies independence criteria stipulated by Tokyo Stock Exchange, Inc., etc., the Company believes that he is qualified as an independent director who is free from the possibility of conflicts of interest with general shareholders.
Atsushi Okamoto	○	-	Mr. Okamoto served as the President and CEO, etc. of Iwanami Shoten, Publishers, and has abundant experience and profound knowledge in the field of global business, governance, etc. He has been appointed as an Outside Director of the Company since June 2022, and has provided useful advice and supervision to the Company's management. The Company therefore continues to reappoint him as an Outside Director. Since he satisfies independence criteria stipulated by Tokyo Stock Exchange, Inc., etc., the Company believes that he is qualified as an independent director who is free from the possibility of conflicts of interest with general shareholders.
Kaori Tonosu	○	Ms. Tonosu formerly served as an executive of Deloitte Touche Tohmatsu LLC., which is one of the Company's clients; however, she had already left the role in 2020 and she is not engaged in any business execution. Accordingly, the Company has	Ms. Tonosu served as a board member of Deloitte Touche Tohmatsu LLC, and has abundant experience and profound knowledge in the field of IT business, technology, R&D, governance, etc. She has been appointed as an Outside Director of the Company since June 2022, and has provided useful advice and supervision to the Company's management. The Company therefore continues to reappoint her as an Outside Director. Since she satisfies

		evaluated that she has sufficient independence. In addition, sales for Deloitte Touche Tohmatsu LLC. were less than 1% of the Company's total sales, and payments for Deloitte Touche Tohmatsu LLC. were less than ¥10 million.	independence criteria stipulated by Tokyo Stock Exchange, Inc., etc., the Company believes that she is qualified as an independent director who is free from the possibility of conflicts of interest with general shareholders.
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Voluntarily Established of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Status of Voluntary Established Committees, Composition of Committees' members, Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination and Remuneration Committee	Nomination and Remuneration Committee
All Committee Members	Seven	Seven
Full-time Members	Zero	Zero
Internal Directors	Two	Two
Outside Directors	Five	Five
Outside Experts	Zero	Zero
Other	Zero	Zero
Chairperson	Internal Director	Internal Director

Supplementary Explanation

The Company voluntarily establishes the Nomination and Remuneration Committee with a purpose to maintain and improve fairness and transparency of decision making of directors' nomination and remuneration.

[Company Auditors]

Establishment of Board of Company Auditors	Established
Maximum Number of Board of Company Auditors Stipulated in Articles of Incorporation	The Company doesn't set a ceiling on the number of company auditors
Number of Board of Company Auditors	Four persons

Cooperation among Company Auditors, Accounting Auditors and Internal Audit Departments

The Board of Company Auditors periodically reviews the quality of services by accounting auditor. Regarding annual audit plans, yearly and quarterly reviews on financial results, annual audit result, independence of accounting auditor and etc., the Board of Company Auditors periodically cooperates with accounting auditor through interviews.

Election of Outside Company Auditor	Elected
Number of Outside Company Auditor	Three persons
Number of Independent Company Auditor within the Outside Company Auditors	Three persons

Outside Company Auditor's Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Kazuhiro Ohira	From other company										△			
Takashi Michishita	Lawyer													
Koichi Uchiyama	CPA										△			

* Selected the relevant "Relationship with the Company"

**○" indicated the relevant item that the person presently falls or has recently fallen under the category;

"△" indicated the relevant item that the person fell under the category in the past

**●"indicated the relevant item that the person's close family member presently falls or has recently fallen under the category;

"▲"indicated the relevant item that the person's close family member fell under the category in the past

- Executive of the Company or its subsidiary
- Non-executive director or accounting advisor of the Company or its subsidiaries
- Executive or executive non-executive director of a parent company of the Company
- Company Auditor of a parent company of the Company
- Executive of fellow subsidiaries 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
- A consultant, accounting expert or legal expert who receives significant remuneration or other assets from the Company other than remuneration as a director/company auditor
- Major shareholder of the Company (an executive of the said major shareholder if the shareholder is a legal entity)
- Executive of a client or supplier of the Company (does not fall under any of f, g, or h) (the company auditor himself/herself only)
- Executive of a company whose outside directors/company auditors assume the post on a reciprocal basis with the Company appointed (the company auditor himself/herself only)
- Executive of a company or organization that receives a donation from the Company (the company auditor himself/herself only)
- Other

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

Name	Designation as Independent Company Auditor	Supplementary Information of the Relationship	Reasons for Election
Kazuhiro Ohira	○	The Company has a business relationship with Dai-Ichi Life Insurance Company, Ltd., where Mr. Ohira formerly served as an executive. However,	Based on his profound knowledge of business administration and internal control, Mr. Ohira has been elected as an outside company auditor. The company believes that he will supervise executions of directors' duty with his high level of expertise. Since he

		since the Company has evaluated that the size and nature of the business transactions should not influence the judgment of shareholders and investors, a summary of the business transactions between the Company and Dai-Ichi Life Insurance Company, Ltd. is omitted.	satisfies independence criteria stipulated by Tokyo Stock Exchange, Inc., etc., the Company believes that he is qualified as an independent company auditor who is free from the possibility of conflicts of interest with general shareholders.
Takashi Michishita	○	-	Based on his long professional career and knowledge as a lawyer, Mr. Michishita has been elected as an outside company auditor. The Company believes that he will supervise executions of directors' duty with his high level of expertise and objective and neutral perspective. Since he satisfies independence criteria stipulated by Tokyo Stock Exchange, Inc., etc., the Company believes that he is qualified as an independent company auditor who is free from the possibility of conflicts of interest with general shareholders.
Koichi Uchiyama	○	The Company has a business relationship with Deloitte Touche Tohmatsu LLC., where Mr. Uchiyama formerly served as an executive. However, since the Company has evaluated that the size and nature of the business transactions should not influence the judgment of shareholders and investors, a summary of the business transactions between the Company and Deloitte Touche Tohmatsu LLC. is omitted.	Based on his long professional career and financial expertise as a certified public accountant, Mr. Uchiyama has been elected as an outside company auditor. The Company believes that he will supervise executions of directors' duty with his high level of expertise and objective and neutral perspective. Since he satisfies independence criteria stipulated by Tokyo Stock Exchange, Inc., etc., the Company believes that he is qualified as an independent company auditor who is free from the possibility of conflicts of interest with general shareholders.

[Independent Directors/Company Auditors]

Number of Independent Directors/Company Auditors	Eight persons
Other Matters relating to Independent Directors and Company Auditors	
All of the outside directors and company auditors that are qualified as independent directors or company auditors have been designated as independent directors or company auditors.	

[Incentives]

Implementation of Measures on Incentive Allotment for Directors	Performance-linked Remuneration, Stock Options
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Supplementary Information

The Company has allocated stock compensation-type stock options, as a substitution for the retirement allowance, to company directors (except for part-time and outside directors) and executive officers from June 2011, for the purpose of providing a mid- to long-term incentives to them and further promoting sharing of value with shareholders. The Company allocates stock acquisition rights as stock linked compensation-type stock options that are generally equivalent to one to two months of basic monthly remuneration for each director.

The Company has implemented to provide restricted stock remuneration to company directors (except for part-time and outside directors) and executive officers as performance-linked bonuses from June 2020, for the purpose of providing a mid- to long-term incentives to them and further promoting sharing of value with shareholders. The total number of shares of common stock issued or disposed of by the Company shall be 160,000 shares or less per year and transfer restriction period shall be from the disposal date to the point in time when the company directors or the executive officers resigns from their positions both a director and an executive officer of the Company. The amount of restricted stock remuneration to be allocated is calculated based on the evaluation methodology using the consolidated financial results and targets; revenues and operating profit, and is determined equivalent to between zero and four times as much as their respective monthly fixed cash remuneration. As for FY2022, the Company decided to provide the restricted stock remuneration, which is equivalent to two times as much as their respective monthly fixed cash remuneration, in consideration of the consolidated financial results; revenues of ¥252.71 billion and operating profit of ¥27.22 billion, compared to the consolidated financial targets; revenues of ¥250.0 billion and operating profit of ¥27.2 billion.

Person eligible for Stock Options	Directors (Inside), other
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Supplementary Information

According to the purpose of the above-mentioned stock compensation-type stock options, directors and executive officers (except for part-time and outside directors) are qualified. The Board of Directors resolves the number of each allotment in consideration of their responsibilities and contributions to financial results.

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	Remuneration of a specific individual disclosed
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Supplementary Information

For FY2022, the total remuneration amount of fifteen directors was ¥499 million (including ¥29 million paid to six outside directors), and the total remuneration amount of four company auditors was ¥32 million (including ¥17 million paid to three outside company auditors).

The total remuneration amount included as follows:

(i) Performance linked remuneration (restricted stock) : ¥75 million

(Note) The amount of performance linked remuneration stated in the above represents the amount of expenses recognized in FY2022.

(ii) Non-monetary remuneration (stock compensation-type stock options) : ¥51 million

The director who received a total annual remuneration of ¥100 million or more is Eijiro Katsu, and the total annual amount of his remuneration was ¥120 million (fixed cash remuneration of ¥90 million, stock options of ¥15 million, and restricted stock remuneration of ¥15 million as performance-linked bonuses for FY2022). Within these, the payment of restricted stock remuneration was resolved at the meeting of the Board

of Directors held on May 18, 2023. As for the restricted stock remuneration granted to him prior to FY2022, the expenses recognized for FY2022 was ¥22 million.

Policy on Determining Remuneration Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

i) Policy for determining content of remuneration for individual directors

a) Method for deciding on the policy for such determination

After consulting with the Nomination and Remuneration Committee on the draft of the determination policy regarding the content of remuneration for individual directors, the determination policy was resolved at the board of directors meeting held on February 4, 2021.

b) Outline of content of determination policy

As for the remuneration of the Company's full-time directors, when determining the remuneration of individual directors, its basic policy is to set an appropriate level of remuneration according to each directors' position and responsibility, with promoting directors' motivation and morale to further improve and contribute to continuous business growth and corporate value over a mid to long term. The remuneration of full-time directors is comprised of fixed monthly remuneration (cash), performance linked remuneration (restricted stock) and non-monetary remuneration (stock remuneration type stock options).

As for the remuneration of part time directors or outside directors who have supervisory functions, the remuneration is only comprised of fixed monthly remuneration (cash), based on their roles and responsibilities.

c) Reason why the board of directors has determined that content of remuneration for individual directors for FY2021 complies with the determination policy

When deciding the content of remuneration for individual directors, the Nomination and Remuneration Committee conducted a multifaceted examination of the draft, including consistency with the determination policy, therefore the board of directors recognize that it is in line with the policy.

ii) Matters concerning the resolutions of ordinary general meeting of shareholders regarding remuneration of directors and company auditors

- At the 16th ordinary general meeting of shareholders held on June 27, 2008, it was approved that the upper limits of the maximum aggregate amount of remuneration for directors and company auditors were at ¥500 million or less per year and ¥100 million or less per year respectively. The number of directors and company auditors were fourteen and four at the shareholders' meeting resolution, respectively.
- At the 19th ordinary general meeting of shareholders held on June 28, 2011, the implementation of stock compensation-type stock options to directors (except for part time and outside directors) within the said limit, as a substitution for the retirement allowance, was approved. The number of directors was twelve at the shareholders' meeting resolution
- At the 28th ordinary general meeting of shareholders held on June 24, 2020, the implementation of restricted stock remuneration to directors (except for part time and outside directors) within the said limit was approved. The number of directors was thirteen at the shareholders' meeting resolution.
- At the 29th ordinary general meeting of shareholders held on June 29, 2021, it was resolved that the maximum amount of remuneration for Directors shall be ¥600 million or less per year, including the maximum aggregate amount of ¥50 million or less per year for Outside Directors. The number of directors was twelve at the shareholders' meeting resolution.
- At the 30th ordinary general meeting of shareholders held on June 28, 2022, in light of the changes in the level of share price of IJ's common stock since 2011 and the multiple stock splits that have been undertaken to date, it was resolved that the number of shares to be issued upon exercise of each stock acquisition right of stock compensation-type stock option was revised from 400 to 1 share, and the maximum number of stock acquisition right was revised from 600 to 240,000. This merely makes an inversely proportionate change to the total number of stock acquisition rights and the number of shares to be issued upon exercise of each stock acquisition right, and there will be no substantial change in the cap on the amount of stock acquisition rights in terms of the scale of the stock-compensation-type stock option scheme. The number of directors was 12 at the shareholders' meeting resolution.

iii) Delegation of authority to determine remuneration for individual directors

Regarding the amount of remuneration for each individual director, the representative directors (the chairman and representative director, Koichi Suzuki and the president and representative director, Eijiro Katsu) shall be delegated the specific content based on the resolution of the board of directors, and the delegated power is the determination of the amount of basic monthly remuneration and distribution of performance-linked remuneration of each individual director. In order to ensure that this authority is properly exercised by the representative directors, the representative directors, who drafted the remuneration plan, consults the Nomination and Remuneration Committee with the draft of the plan, therefore the board of directors recognize that it is in line with the determination policy. The reason for delegating to the representative directors is that the representative directors are the most suitable to evaluate the responsibility and performance of each director while taking a bird's eye view of the overall performance of the Company.

iii) Delegation of authority to determine remuneration for individual directors

Regarding the amount of remuneration for each individual director, the representative directors (the chairman and representative director, Koichi Suzuki and the president and representative director, Eijiro Katsu) shall be delegated the specific content based on the resolution of the board of directors, and the delegated power is the determination of the amount of basic monthly remuneration and distribution of performance-linked remuneration of each individual director. In order to ensure that this authority is properly exercised by the representative directors, the representative directors, who drafted the remuneration plan, consults the Nomination and Remuneration Committee with the draft of the plan, therefore the board of directors recognize that it is in line with the determination policy. The reason for delegating to the representative directors is that the representative directors are the most suitable to evaluate the responsibility and performance of each director while taking a bird's eye view of the overall performance of the Company.

iv) Contents of performance-linked remuneration

As a performance-linked remuneration, the amount of restricted stock remuneration to be allocated is based on the evaluation methodology using year over year growth rate and target achievement rate of the consolidated revenue and operating income, which are linked with business growth and improvement of corporate value, and is determined equivalent to between zero and four times as much as each directors' monthly fixed cash remuneration. Each director receives the determined amount of monetary remuneration claims as a cash investment asset for the payment of restricted stock.

v) Contents of non-monetary remuneration

As a substitute for the abolition of retirement benefits for directors, the Company allocates stock acquisition rights as stock linked compensation-type stock options that are generally equivalent to one to two months of basic monthly remuneration for each director.

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

Full-time directors and company auditors in charge make a contact, etc. to outside directors and outside company auditors. Prior to a meeting of the Board of Directors, the materials for the meeting are dispatched to outside directors and outside company auditors.

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

[Overviews of business execution system, auditing and supervision system and reasons for adopting the systems]

Based on the annual business plan, which is formulated according to the corporate philosophy and annually approved by the Board of Directors, full-time directors, executive officers and business execution organizations prompt the business to achieve the goals.

Oversight and supervision of business execution is carried by means of ordinary (monthly) and extraordinary meetings of the Board of Directors, management meetings consisting of directors, full-time officers, etc., and monitoring and giving the necessary instructions to each of its business, project, subsidiary, etc. Oversight on business management and business audit are carried by means of ordinary (monthly) and extraordinary meetings of the Board of Company Auditors, assignment of a financial expert/legal expert in the Board of Company Auditors, conducting continuous audit including its domestic subsidiaries and affiliates as well as overseas by Company Auditors and the Internal Auditing Office, and operation of whistleblowers hotline system. Regarding risk management, directors in charge of business execution are responsible for

identifying and evaluating risks, and taking countermeasures against them in businesses within the scope of responsibilities. Further, IJ has established committees such as the Internal Control Committee and the Disclosure Committee to evaluate risks and take countermeasures against them depending on the type of risks. Regarding sustainability promotion, IJ has also established the Sustainability Committee to plan activity policies, consider and promote measures for each theme across the whole company, confirm and verify the progress, and submit and report the details of such activities to the Company's Board of Directors. Business activities by directors and employees of the Company and its subsidiaries are governed by the Code of Ethics, the Basic Rules for Internal Control, etc.

The Company has outside directors and outside company auditors with the aim of ensuring appropriateness and transparency of business executions and enhancing the supervisory functions of management. The Company's Board of Directors consists of fourteen directors, including five independent outside directors and the Company's the Board of Company Auditors consists of four company auditors, including three independent outside company auditors. With emphasis on high degree of independence, abundant experience and profound knowledge of management or telecommunication industry, outside directors are elected. With emphasis on high degree of expertise and independence, outside company auditors are elected, including an attorney from a Japanese law firm and a certified public accountant. Further, the Company has an Internal Auditing Office consisting of five members.

Regarding statutory disclosure and timely disclosure, the Company has established the Disclosure Committee, which consists of directors, company auditors and executive officers. The Company discloses information after the appropriateness and completeness of the information is verified by the Disclosure Committee.

Regarding risk assessment, the Company establishes the committee organizations for each risk area as needed, and identifies the risk, assesses the identified risk and takes measures against the risk.

[Appointment and determination of remuneration, etc.]

Regarding nomination of candidates for company directors and company auditors, the representative directors submit nomination proposals, which are based on the internal criteria to the Nomination and Remuneration Committee. Through discussions at the committee, the proposals are resolved by the Board of Directors which submits to the General Meeting of Shareholders of the Company.

Regarding the dismissal of the Board of Directors, after the Nomination and Remuneration Committee takes violation of laws and/or the Articles of Incorporation in business execution, mental and physical well-being as well as accountability of business performance into consideration and through discussion, the Board of Directors resolves and submits to the General Meeting of Shareholders of the Company.

Regarding remuneration for Company Directors and Auditors, please see “ II .1. [Director Remuneration] ” of this report.

3. Reasons for Adoption of the Current Corporate Governance System

The Company is a company with the Board of Company Auditors and elects outside directors. Outside directors elected have abundant experience and profound knowledge, and therefore the Company's supervisory function on management execution has been enhanced. Within the Board of Company Auditors members, an attorney and a certified public accountant have been elected, therefore the company's supervisory functions on execution of duties by directors has been enhanced.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Information
Early Distribution of General Shareholder Meeting	In connection with the Ordinary General Meeting of Shareholders held on June 28, 2023, the Convocation notice was disclosed on the Company's website and the Tokyo Stock Exchange's website on June 1, 2023, and sent on June 9, 2023.
Allowing Exercise of Voting Rights by electronic means	Since the Ordinary General Meeting of Shareholders held on June, 2006, the Company has allowed shareholders to exercise voting rights on the Internet.

Participation in Electronic Voting Platform and Other Measures to Improve the Environment for Institutional Investors to Exercise their Voting Rights	The Company has participated in the Electronic Voting Platform for Institutional Investors that is operated by ICJ Inc. (Investor Communications Japan)
Providing Convocation Notice in English	The Company prepares full text English versions of the Convocation notices simultaneously with the Japanese document.
Other	The Convocation notice both in Japanese and English is disclosed on the Company's website.

2. IR Activities

	Supplementary Information	Explanation by representative
Preparation and Publication of Disclosure Policy	The Disclosure Policy, which is corresponding to the Japanese Fair Disclosure Rule, has been established and disclosed.	-
Regular Investor Briefings for Individual Investors	The Company holds IR meetings several times for individual investors in a year.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds investor briefings in principle for analysts and institutional investors after announcement of its financial results each quarter. Also, the Company participates in IR conferences several times a year which are held by securities companies.	Yes
Regular Investor Briefings for Foreign Investors	The Company holds investor briefings (including IR Roadshow, overseas IR conferences held by securities companies and video-conference) for foreign institutional investors several times a year.	Yes
Disclosing of IR Materials on Website	Quarterly financial results (<i>shihanki-houkokusyo</i>), annual report (<i>yuka-shoken-houkokusyo</i>), newsletters to shareholders' (<i>Kabunushi Tsushin</i>), IR schedule such as earnings announcement, news release, management message and company information are disclosed on the Company's website (https://www.ij.ad.jp/en/).	-
Department and Manager in Charge of IR	The department in charge of IR activities is Financial Department which is under Finance Division. The officer in charge of IR activities is Mr. Akihisa Watai, senior managing director and CFO.	-

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Information
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Code of Ethics defines that officers and employees to recognize their social responsibility towards wide range of stakeholders. Officers and employees are required to make great effort to obtain understanding of stakeholders.
Implementation of Environmental Activities, CSR Activities, etc.	For more information about the Company's Environmental Activities, CSR Activities, etc., please refer to the Company's IR website "Integrated Report Portal"

	<p>Integrated Report Portal: https://www.ij.ad.jp/en/ir/integrated-report/</p> <p>Sustainability: https://www.ij.ad.jp/en/ir/integrated-report/sustainability/</p> <p>Information Disclosure based on the TCFD Recommendations: https://www.ij.ad.jp/en/ir/integrated-report/tcf/</p>
Development of Policies on Information Provision to Stakeholders	The Disclosure Policy, which is corresponding to the Japanese Fair Disclosure Rule, has been established and disclosed.

IV. Matters Related to the Internal Control System

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

The Company's basic policy on its internal control system is as follows and the Company prepares its internal control based on the following.

1) Basic policy

The Company builds the internal control system in accordance with the basic framework ("the framework") set forth in "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" issued by the Business Accounting Council for (1) Effectiveness and efficiency of business operations, (2) Reliability of financial reporting (3) Compliance with applicable laws and regulations relevant to business activities, and (4) Safeguarding of assets.

Based on the framework, the Company defines the main elements to build the internal control system as follows.

- (1) Control environment
- (2) Risk assessment and response
- (3) Control activities
- (4) Information and communication
- (5) Monitoring (Monitoring Activities)
- (6) Response to IT (Information Technology) (Communicating Information)

Based on the framework, the Company executes various measures to create internal control system and seeks to improve the system continuously.

2) Matters under the Companies Act of Japan

The basic policy, to ensure the propriety of business operations within the corporate group consisting of the Company and its subsidiaries, is established in accordance with Article 362 paragraph 5 of the Companies Act of Japan, and is a part of internal control based on the framework. The details are followed.

1. Systems for ensuring the compliance of directors and employees with the law and articles of incorporation in the execution of their duties.

- (1) The Company will establish a code of ethics that sets for a standard of conduct and requires strict adherence to the law. In addition, the Company will establish regulations for applying the laws regarding the prevention of insider trading, the protection of personal information, and among others. The company will disseminate those regulations to officers and employees, and conduct periodic education.
- (2) The Company will establish a system for appointing the necessary personnel to ensure compliance with the law, and for consulting with lawyers and other experts outside the Company.
- (3) The Company will establish an internal reporting system for reporting any legal violations, and will operate a kind of whistle-blower system with a contact point protecting the person reporting, in accordance with legal requirements.

- (4) An Office of Internal Audits under the direct control of the President will conduct internal audits on a regular basis, indicating where each division could improve compliance with the law, and overseeing the improvements.
 - (5) For legally required reports, ad hoc reports, and other types of releases, the Company will establish a Disclosure Committee whose members consist of directors, outside directors, executive officers and company auditors, who will evaluate the content for appropriateness and completeness, and approve any material to be released.
2. Systems for preserving and managing information related to the execution of duties by directors.
 - (1) Basic policy and procedures regarding the handling of information assets will be set and followed in the handling of information and documents related to the execution of duties by directors (“performance information”), these policies and procedures will detail who is responsible for managing the information, how long the information is to be stored, how it is to be stored, measures for countering loss or leakage of the information, and proper management of the information. The management of this information will be reviewed on a regular basis.
 - (2) The Company will create a system that ensures the proper filing of performance information (committing it to electronic storage when necessary), and that enables the quick verification of the existence, condition, and content of these documents. In addition, the system will allow people with the proper authority to view documents related to the company auditors and others without delay.
 - (3) The duties related to the above fall under the jurisdiction of a director or an executive officer in charge of information security and a director or an executive officer in charge of document management of the Company.
3. Regulations governing risk management and other systems.
 - (1) The director (or executive officers) that oversee the operation of each division will identify the risks defined by the governing regulations, evaluate these risks, and develop measures to counter these risks, as well as review them on a regular basis.
 - (2) For certain risk categories, the “Evaluation Committee” will be established to evaluate the risk and to develop countermeasures.
 - (3) A Business Continuity Plan will be developed to address potential emergency situations.
 - (4) The Internal Auditing Office under the direct control of the President will conduct internal audits on a regular basis, indicating where each division could improve operations, including risk management, and overseeing the improvements.
4. Systems for ensuring the efficient execution of duties by directors.
 - (1) A business plan for each fiscal year will be formulated in line with management objectives, and each business organization will actively seek to achieve the goals put forth in the plan. In addition, regular progress reports will be submitted and reviewed to monitor progress on each target.
 - (2) As for management of operations, all issues that should be decided by the Board of Directors in accordance with the Regulations of the Board of Directors will be strictly decided by the Board, and as a basic rule of the decision-making process, sufficient documentation on the issue to be decided will be distributed to all Board members in advance.
 - (3) In the execution of daily duties, authority will be delegated based on the scope of authority regulations and division of duties regulations, and managers at each level will execute their duties while complying with the rules of the decision making process.
 - (4) To reinforce the Board of Directors’ authority, a certain number of people with notable management acumen will be appointed as outside directors.
5. Systems for ensuring the proper operation of corporate groups consisting of the Company and its subsidiaries.
 - (1) Subsidiaries will be managed based on the subsidiary management regulations, which are the basic policy of subsidiary management, and an agreement will be made with the parent company regarding the management of the subsidiary.
 - (2) Subsidiaries will report on required items, and a system for consultation will be established.
 - (3) To impose internal control on important items, regulations governing the entire corporate group will be established, and subsidiaries will be required to comply with them.
 - (4) The Company’s Internal Auditing Office will perform internal audits of subsidiaries.

6. Providing employee to assist company auditors, securing those employees' independence from directors and effectiveness of company auditors' instruction to those employees.
- (1) The Company establishes the Internal Auditing Office under direct control of President and assigns to the Office as the full-time basis. These employees work closely with the company auditors to reflect their opinions on the Company's internal audit plan.
 - (2) The selection, appointment, and transfer of employee assigned to the Internal Auditing Office should be conducted with full consideration of the opinions from the Board of Company Auditors.
 - (3) Other than above, it will be consulted and decided with the Board of Company Auditors as for assignment of employees who assist the company auditors and arrangement to ensure effectiveness of the company auditors' instruction to these employees.
7. Systems that directors and employees of the Company and its subsidiaries make a report to the company auditors, and systems preventing the person who makes report to the company auditor from being disadvantageously treated due to such report.
- (1) In accordance with the provisions of the Board of Company Auditors, Directors and employees will report and provide information upon or periodically upon the company auditor's request.
 - (2) Company auditors will be a member of panel such as Disclosure Committee that makes the important decision-making.
 - (3) In the Whistle-blower System of the Company, if the subject matter of the report involves Directors, the investigation shall be conducted under the direction of the Company Auditors. Whistle-blower will be safely protected and kept secret, and it is prohibited that the Company disadvantageously treats that person whether the whistleblowing is anonymous or not.
8. Policies on prepaid expenses for the execution of the duties of the company auditors, on expenses for procedures for repayment and execution of other relevant duties, or on debt processing.
The Company will establish budget for the Board of Company Auditors for the execution of their duties every year, and will listen to Company auditors' opinion.
9. Other systems for ensuring effective company auditors' audits
- (1) In order to ensure that the Board of Company Auditors can properly execute their duties, the necessary external experts will be retained.
 - (2) To preserve the independence of the accounting auditors, the Company and its subsidiaries are not allowed to receive the accounting auditors' services which could possibly harm their independence (including the person related the accounting auditors) as well as takes appropriate measures to obtain consent to the accounting auditors remuneration and others by the Board of Company Auditors in an appropriate manner.
 - (3) The Company makes an effort to appoint a financial expert/legal expert for Company Auditors.

2. Basic Views on Eliminating Anti-Social Forces

Towards the elimination of Anti-Social Forces, the Company has followings as basic policies, provisions to that effect to the Code of Ethics and disseminates that.

- (1) Do not respond to undue claims.
- (2) Do legal responses of civil and criminal in the event of emergencies.
- (3) Do not provide any funds and information to Anti-Social Forces.

The Company's Compliance Division is a corresponding department to oversee anti-social forces and cooperates with external organizations such as law enforcement and the Company's attorney.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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2. Other Matters Concerning to Corporate Governance System

As the company is listed on the Tokyo Stock Exchange, the company implements internal control and discloses in accordance with the Financial Instruments and Exchange Law of Japan. Further, based on the Financial Instruments and Exchange Law, the Company and its subsidiaries have received the internal control audit by the accounting auditor, regarding the construction and the evaluation of the internal control related to making of the consolidated financial statements.

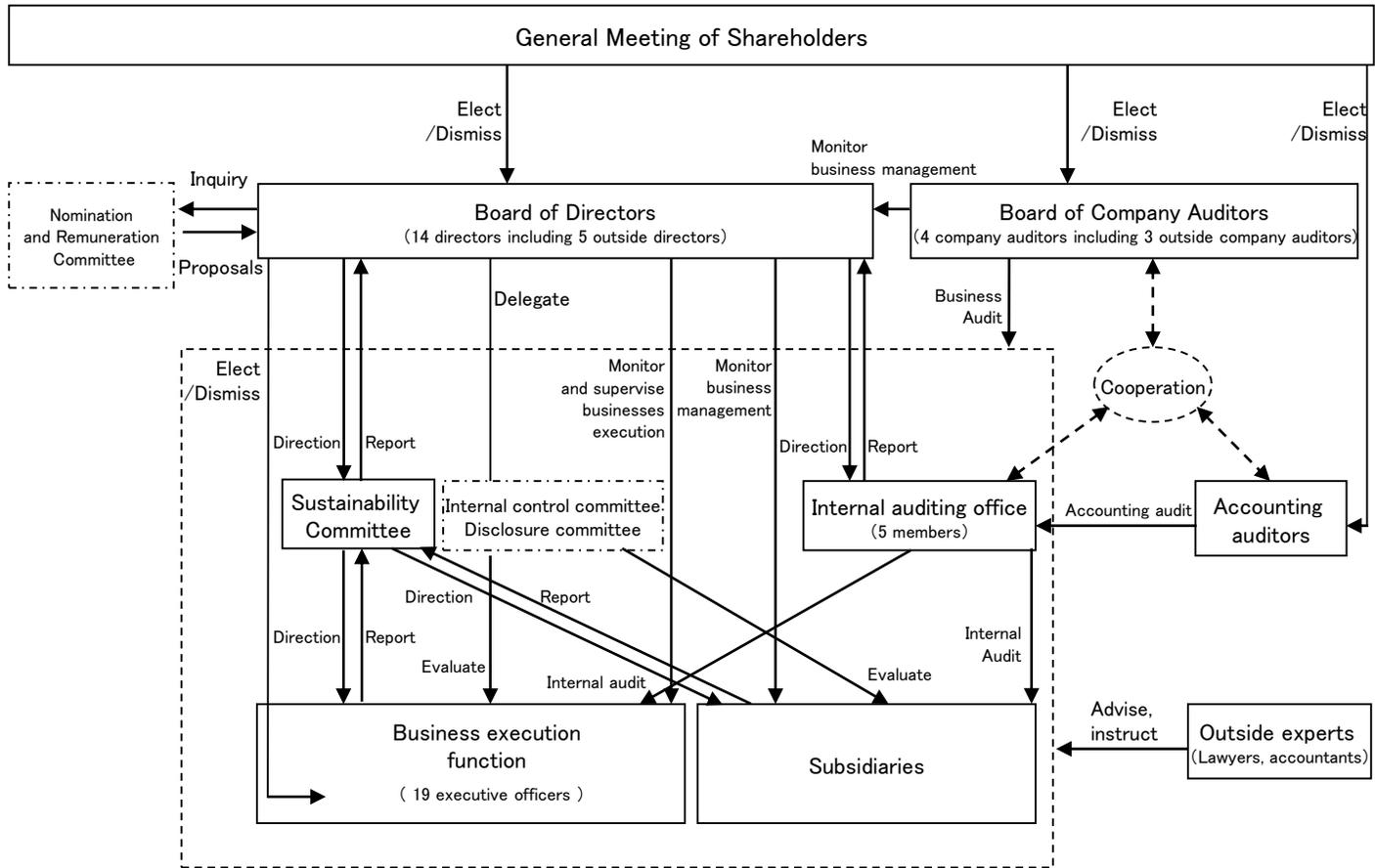
[The Company's structure regarding timely disclosure of the Company's information]

The Company has established the Code of Information Disclosure and the Disclosure Committee on the basis of that code in order to disclose in properly, timely and fairly manner. The Disclosure Committee consists of Chairman, President, CFO, directors, executive officers and company auditors. The Disclosure Committee has verified the appropriateness and completeness of the disclosure contents, and approved the disclosure. Further, the Disclosure Committee has received reports of disclosure system and guidelines, etc. from the information disclosure officer, and performed the control evaluation.

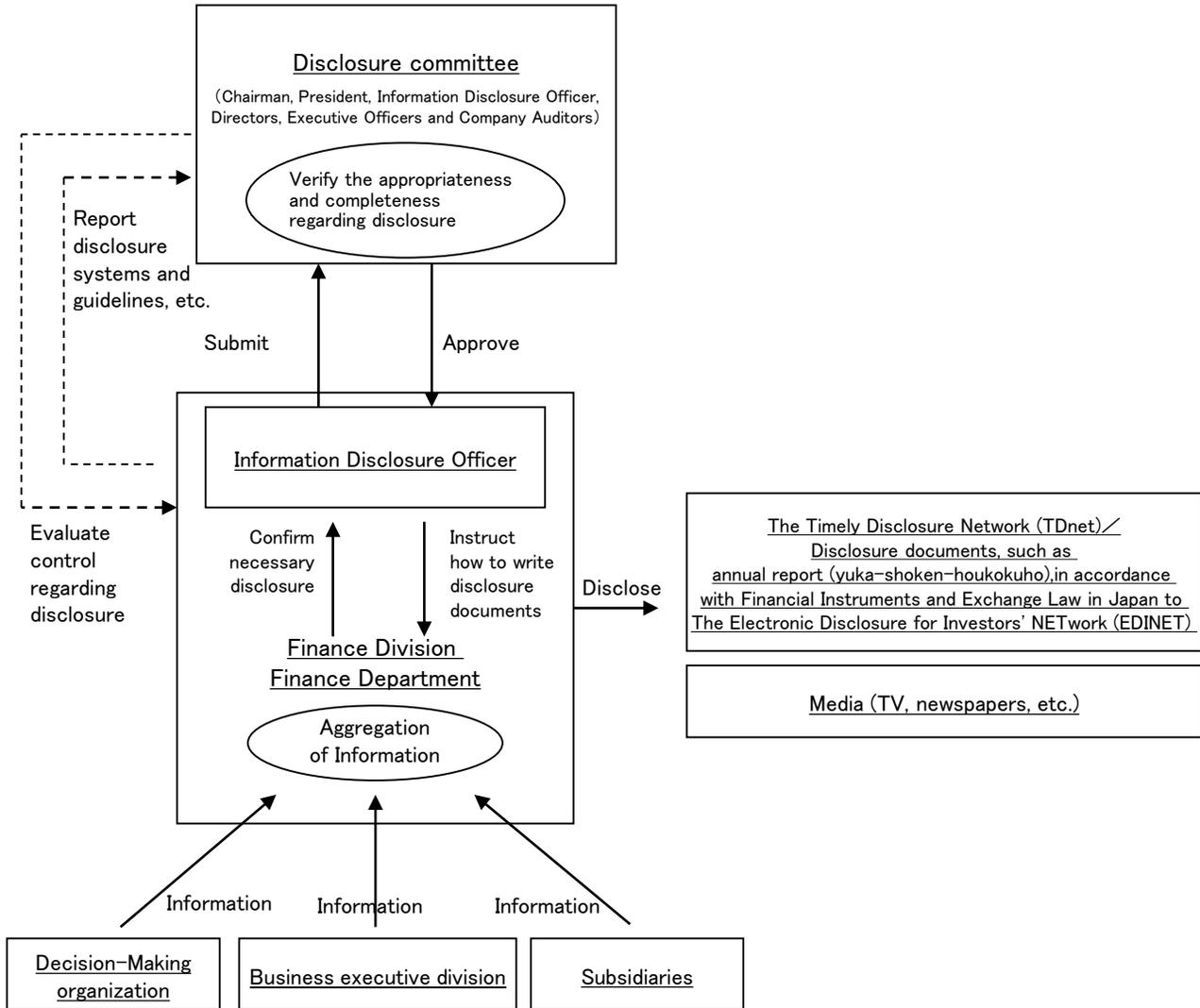
Disclosure procedure is as follows.

- (1) Collection of information and decision of disclosure
The information from the decision-making organization, executive divisions and subsidiaries, etc., is aggregated in Finance Division. Finance Department under Finance Division confirms whether the information is required to disclose, collects the information and submits the collected information to the information disclosure officer. The information disclosure officer decides whether to disclose.
- (2) Creating disclosure wordings and submitting to the Disclosure Committee
The Company appoints the information disclosure officer as the operating officer of the Disclosure Committee. Finance Department under Finance Division creates disclosure wordings promptly. The disclosure wordings are submitted to the Disclosure Committee who verifies the appropriateness and completeness of the disclosure contents. Further, the Disclosure Committee verifies whether that the disclosure has been made comprehensively.
- (3) Disclosure guidelines
The information is disclosed by the "Timely Disclosure network (TDnet)" on the Tokyo Stock Exchange, the press and the Company's website. These materials are disclosed in Japanese and English.

<Outline Map of the Corporate Governance system>



<Outline of Timely Disclosure System (diagram) >



【Directors' Skill Matrix (Reference Material)】

“Policy for Appointment of Directors”

The Company's Board of Directors consists of appropriate members who have extensive experience and high-level expertise necessary for the Company in accordance with the "Directors' Skill Matrix" which defines clearly requirements for directors in order to realize its business philosophy. Full-time directors are mainly appointed from those who are familiar with the IT industry, including members who have been involved in its foundation, and outside directors are mainly appointed from those who have extensive experience and knowledge as top management of large companies. The nomination of each director, which takes into consideration the balance of experience and expertise of the Board of Directors as a whole, is consulted with the Nomination and Remuneration Committee. After the committee evaluates and verifies their appropriateness, each director is appointed through necessary procedures such as the General Shareholders' Meeting and the Board of Directors.

“Definition of required skills”

Skills	Requirements
Top Management	Management experience as a top management executive
IT Expertise	Business experience in the IT industry
Sales	Management experience in sales division
Technology, R&D	Management experience in technology division, Experience of developing new technologies and services, etc.
Global	Management experience in global businesses, working experience abroad
Finance and Accounting	Expertise and experience in finance and accounting division
Governance	Experience as the head of a corporate division, experience as an independent director, etc.

“Definitions of skills”

Name	Position / Responsibility	Independent Director	Top Management	IT Expertise	Sales	Technology, R&D	Global	Finance and Accounting	Governance
Koichi Suzuki	Chairman of the Board, Representative Director and Co-CEO		○	○		○	○		○
Eijiro Katsu	President and Representative Director, and Co-CEO & COO		○	○			○		○
Satoshi Murabayashi	Executive Vice President		○	○		○			○
Yasuhiko Taniwaki	Executive Vice President			○		○	○		○
Koichi Kitamura	Senior Managing Director Unit Director of Business Unit			○	○		○		
Akihisa Watai	Senior Managing Director, CFO, Division Director of Financial Division			○			○	○	○
Tadashi Kawashima	Managing Director Deputy Unit Director of Business Unit		○	○	○				
Junichi Shimagami	Managing Director, CTO Unit Director of Technology Unit			○		○			
Naoshi Yoneyama	Managing Director, CIO Division Director of Corporate Planning Division			○		○			○
Takashi Tsukamoto	Director	●	○				○	○	○
Kazuo Tsukuda	Director	●	○			○	○		○
Yoichiro Iwama	Director	●	○				○	○	○
Atsushi Okamoto	Director	●	○				○		○
Kaori Tonosu	Director	●		○		○			○