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## Corporate Governance Report

CORPORATE GOVERNANCE

Tobila Systems Inc.

Last Update: January 28, 2026

**Tobila Systems Inc.**

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Securities code: 4441

<https://tobila.com/>

The corporate governance of Tobila Systems Inc. (the “Company”) is described below.

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

### Key Information

#### 1. Basic Views

The Company recognizes that establishing corporate governance is indispensable in order to continuously expand revenue, enhance corporate value, and maximize earnings of stakeholders such as shareholders, users, business partners, and employees through providing services that contribute to society.

Specifically, we believe that it is important to develop an effective internal control system, develop an appropriate risk management system, strengthen the compliance system, along with strengthening a system that can appropriately audit these systems.

### [Disclosure Based on each Principle of the Corporate Governance Code]

[Principle 1-4: Cross-shareholdings]

The Company does not hold any listed shares as cross-shareholdings. The decision to invest in cross-shareholdings in the future will be made after careful deliberation by the Board of Directors and appropriate decision-making authorities depending on the qualitative and financial importance of each matter.

[Principle 1-7: Related party transactions]

When the Company takes part in related party transactions, approval must be obtained in advance from the Audit & Supervisory Committee and the Board of Directors based on the “related party transactions management regulations,” and it will be reasonably determined whether related party transactions will damage the soundness of the Company’s management, as we have an established system for appropriate management. In addition, investigations into related party transactions are conducted every fiscal year for the Company’s Officers.

[Supplementary Principle 2-4 (i): Independent and measurable targets to ensure diversity]

With the new evaluation and compensation system started in January 2023, the Company established a policy of thoroughly evaluating and promoting individuals based on abilities, not attributes, in addition to selecting core human resources through setting guidelines according to the composition of employees and promoting selecting and training without bias towards attributes. Furthermore, considering that the majority of the Company’s hired employees are mid-career, criteria or classifications for selection, etc., have not been set for mid-career hires.

<Status of securing diversity>

(1) Against the 31.6% ratio of women to all full-time employees, the ratio of women to management is 7.7%. (As of October 31, 2025)

(2) There are no full-time employees who are of foreign nationality at the Company. (As of October 31, 2025)

<Status of human resource training policy towards securing diversity and internal environment development policy and their implementations>

One part of the Company’s code of conduct is, “We believe that maintaining an environment where we can live in peace with our loved ones will lead directly to our growth and a better life for people worldwide,” and we strive to create an environment where diverse human resources can work comfortably and take on challenges and grow without fearing failure. Towards developing an internal environment where human resources with diverse backgrounds can work, flexible working styles have been realized through introducing a fully time-flexible system, remote working system, reduced time working system stipulated in childcare leave regulations, etc.

[Principle 2-6: Demonstrating function of a corporate pension as an asset owner]

Although the Company has not introduced a fund or contract defined-benefit pension or employees’ pension fund, a corporate defined contribution pension plan system was introduced in July 2022, and operations have begun. Upon introducing the system, system education, investment education, and audits of selected products were conducted for all employees. Regular investment education and audits of selected products will be conducted, and we will fulfill expected functions as a company that has introduced a corporate defined contribution pension plan system.

[Principle 3-1: Enhancing information disclosure]

i. Management philosophy and management strategy

The Company's corporate philosophy and code of conduct are disclosed on the Company's website.

<https://tobila.com/company/philosophy/>

In addition, medium- to long-term management plans, etc. are disclosed as IR information on the Company's website.

<https://tobila.com/ir/library/>

ii. Basic views and basic policies on the Company's corporate governance

The Company recognizes that establishing corporate governance is indispensable in order to continuously expand revenue, enhance corporate value, and maximize earnings of stakeholders such as shareholders, users, business partners, and employees through providing services that contribute to society.

Specifically, we believe that it is important to develop an effective internal control system, develop an appropriate risk management system, strengthen the compliance system, along with strengthening a system that can appropriately audit these systems.

iii. Policy and procedures of compensation of Directors and Directors who are Audit & Supervisory Committee Members

The policy for determining compensation of Directors (excluding Directors who are Audit & Supervisory Committee Members) is consulted with the Nomination and Compensation Committee, and is determined by resolution of the Board of Directors after receiving said report. The outline takes comprehensive consideration of financial results trends, positions and responsibilities of each Director, compensation levels at other companies, etc., and the compensation of Directors (excluding Directors who are Audit & Supervisory Committee Members) is determined in this way. In addition, the compensation of Directors is consulted with the Nomination and Compensation Committee, and is determined by resolution of the Board of Directors after receiving said report, to be within the limits of total compensation of Directors and Audit & Supervisory Committee Members, respectively, as determined by the General Shareholders' Meeting. Compensation of Directors who are Audit & Supervisory Committee Members is determined through discussions with the Audit & Supervisory Committee.

iv. Policy and procedures of nominating candidates for Directors

In addition to considering the balance of the overall Board of Directors, diverse candidates for Directors with varying expertise, experience, etc. are nominated. The number of candidates for Directors is an appropriate number of nine or less as stipulated in the Articles of Incorporation. When making a determination on a proposal for the election of a candidate for Director, a resolution is made by the Board of Directors after receiving a report from the Nomination and Compensation Committee and consent from the Audit & Supervisory Committee.

v. Explanation of election and nomination when nominating candidates for Directors

The reasons for the elections of all candidates for Directors will be disclosed in the Reference Documents for the General Shareholders' Meeting.

[Supplementary Principle 3-1 (iii): Sustainability initiatives]

Based on the corporate philosophy of, "We open the door to a better future for our lives and the world," the Company aims to solve social issues through business towards realizing a sustainable society.

Basic policies on sustainability and materiality for sustainable growth is disclosed on our website and the "Sustainability Report."  
<https://tobila.com/sustainability/>

For TCFD, although we are not currently signatories, based on the corporate philosophy of, "We open the door to a better future for our lives and the world," the Company aims to solve social issues through business towards realizing a sustainable society, and to achieve this, we believe that a major assumption is that the global environment is sustainable. On the other hand, global warming is progressing at a pace faster than expected, and we recognize that the impact of climate change on economic activities is becoming more widespread. The Company supports "COOL CHOICE" sponsored by the Ministry of the Environment, and actively promotes various initiatives to reduce environmental burden, such as energy saving measures like cool biz, warm biz, fully remote working, and encouraging online meetings, and promotes business (cloud PBX) that provides innovative ways of working.

[Supplementary Principle 4-1 (i): Scope of delegation to management]

The Board of Directors makes determinations on matters stipulated by laws and regulations and matters stipulated by the Board of Directors regulations. The scope of authority for daily business execution is based on authority of duties regulations. In addition, the scope of each Director's appointment is determined and disclosed by the Board of Directors, and Officers in charge supervise and execute business of each department under him or her.

[Principle 4-9: Criteria for judging independence and qualifications for independent Outside Directors]

When electing Outside Directors, the Company complies with the requirements stipulated by the Companies Act and criteria for judging independence of the Tokyo Stock Exchange, in addition to judging independence mainly on whether there will be a conflict of interest with general shareholders. In addition, for electing Outside Directors, we put emphasis on those who can perform management supervisory functions on the Company's management from an objective and neutral perspective based on a high level of expertise and abundance experience.

[Supplementary Principle 4-10 (i): Applying voluntary mechanisms]

Aiming to improve transparency in the process of electing Directors and determining Officer compensation, the Company has established the Nomination and Compensation Committee, a voluntary committee comprised of four Outside Directors, and has established procedures aiming to strengthen the fairness, transparency, objectivity of procedures related to nominating Directors, etc. and compensation, etc.

[Supplementary Principle 4-11 (i): Basic views on diversity of Directors, etc.]

The Company's Board of Directors believes it important to elect persons with high levels of business knowledge, experience, and ability as Directors who execute business, and as it is necessary for Directors who are Audit & Supervisory Committee Members to have a high level of experience, experience as a manager, etc. to conduct audits; these have been set as election criteria. In addition, the Articles of Incorporation has set the number of Directors at nine, and the Board of Directors is comprised of a mix of management who have been involved since the founding in addition to attorneys, certified public accountants, and managers with experience in financial institutions. We aim to further strengthen the supervisory function with the selection of Directors, election and dismissal of Directors and Executive Officers determined by the Nomination and Compensation Committee after deliberation. Furthermore, the skill matrix related to the above is stated in "Other Matters Concerning the Corporate Governance System."

[Supplementary Principle 4-11 (ii): Status of concurrent positions of Directors and Corporate Auditors]

When a Director concurrently serves as an employee, etc. of another organization or institution, the Company makes annual disclosures of the status of concurrent positions through disclosure materials such as the Notice of Annual General Shareholders' Meeting, Annual Securities Report, and Corporate Governance Report, while keeping the number within a reasonable range.

[Supplementary Principle 4-11 (iii): Evaluating effectiveness of the Board of Directors]

Once a year, the Company conducts a survey of all Directors with multiple-choice answers and comment fields regarding items related to the composition, deliberation, and operation of the Board of Directors. The aggregated results are reported and discussed by the Board of Directors. At the Board of Directors meeting held on the 19th fiscal year, the effectiveness was evaluated, and the results were reported and deliberated at the Board of Directors meeting. An outline of the evaluation results is as follows.

#### 1. Details

[Evaluation period]: 19th fiscal year (Board of Directors meetings held between November 2024 and October 2025) a total of 17 times

[Those evaluated]: All Directors (total of 6 persons, those appointed as of the end of October 2025)

[Period survey was conducted]: November to December 2025

[Method of evaluation]: Conducted a survey with multiple-choice answers and comment fields regarding items related to the composition, deliberation, and operation of the Board of Directors. The aggregated results of the survey were reported and deliberated at a Board of Directors meeting.

#### 2. Analysis and evaluation results

- The management of the Board of Directors is generally evaluated highly, and effective discussions are held, including with Outside Directors.
- For the composition of the Board of Directors, it is necessary to consider electing female Directors, etc. from the perspectives of the number of Directors and diversity required by the Corporate Governance Code.
- It is necessary to further deepen discussions on management strategy, which is the basis of the medium-term management plan.

#### 3. Measures to improve effectiveness

With the results of the effectiveness evaluation, through the following measures, we will strive to enhance deliberations and improve the effectiveness of the Board of Directors.

- The composition of the Board of Directors will continue to be considered from the perspectives of the number of Directors and securing diversity.
- The Board of Directors will increase the number of discussions and opportunities on topics related to medium- to long-term management strategy.

[Supplementary Principle 4-14 (ii): Training policy for Directors]

The policy of the Company is for each Director who executes business and each Audit & Supervisory Committee Member to, as necessary at his or her discretion, participate in seminars, academic conferences, and study sessions sponsored by industry organizations related to the field of business for which he or she is in charge of.

Each of the Company's Audit & Supervisory Committee Members has experience as an Officer of a listed company group, and each Director who executes business and each Audit & Supervisory Committee Member is appointed having the knowledge necessary to execute his or her business or supervise management. In addition, each Director who executes business and each Audit & Supervisory Committee Member has acquired the knowledge necessary regarding the Company's business, finances, organization, etc. at the time of appointment, and even after appointment, will attend external seminars and strive to improve him or herself. Furthermore, each Director who executes business and each Audit & Supervisory Committee Member will work hard through constructive discussions at Board of Directors meetings, and have the opportunity to reaffirm one's own roles and responsibilities. Within the business reports from internal groups, information on revisions to laws and systems will be reported and shared, and we are working to contribute to more appropriate business execution and supervision.

[Principle 5-1: Policy on constructive dialogue with shareholders]

The Company recognizes that building trusting relationships with a wide range of stakeholders is important to sustainably enhance corporate value, and strives to maintain active dialogue with shareholders to fulfill appropriate accountability. Corporate Planning and President's Office has been established as a dedicated department in charge of corresponding to shareholders and investors, and will handle all correspondence with shareholders and investors. In addition, we will thoroughly respond to questions from shareholders and investors sent to the email address listed on the Company's website.

## [Measures to Realize Management That Is Conscious of Capital Costs and Share Prices]

|                                    |                                    |
|------------------------------------|------------------------------------|
| Content of Disclosure              | Disclosure of initiatives (update) |
| Availability of English Disclosure | Available                          |
| Date of Disclosure Update          | January 28, 2026                   |

### Explanation of Actions

Our ROE (return on equity) for the most recent fiscal year is 24.8%, which is higher than our projected cost of equity of 6% to 10% and the assumed 21% level as a similar company average. In addition, PBR (price-to-book value ratio) has also exceeded three times.

To further enhance corporate value, it is necessary to expand the revenue base that leads to growth expectations, and as a management strategy to achieve this, we have established the “Medium-Term Management Plan 2028” with the four-year plan period from October 2025 to October 2028.

Among them, in the fiscal year ending October 2028,

Net sales: ¥6 billion

Operating profit: ¥1.7 billion

Net income: ¥1.1 billion

ROE: 22.0% or more

The Company's financial goal is to expand its earnings foundation and secure capital profitability that exceeds the cost of shareholders' equity and similar companies' levels.

For details, refer to [Medium-Term Management Plan 2028] at the following URL.

\*Notice Concerning Formulation of the Medium-term Management Plan and Action to Implement Management that is Conscious of Cost of Capital and Stock Price

<https://contents.xj-storage.jp/xcontents/AS05546/d2930950/cfc1/4ca1/a023/88a2d1772dd7/140120241218540316.pdf>

## 2. Capital Structure

|                            |                               |
|----------------------------|-------------------------------|
| Foreign Shareholding Ratio | 10% or more but less than 20% |
|----------------------------|-------------------------------|

### [Status of Major Shareholders]

| Name or Company Name                        | Number of Shares Owned | Percentage (%) |
|---|------------------------|----------------|
| Atsushi Akita                               | 4,609,600              | 45.63          |
| INTERACTIVE BROKERS LLC                     | 785,900                | 7.78           |
| Custody Bank of Japan, Ltd. (Trust account) | 637,900                | 6.31           |
| BNYM AS AGT/CLTS NON TREATY JASDEC          | 336,181                | 3.32           |
| Ishiyu Y.K.                                 | 175,900                | 1.74           |
| THE BANK OF NEW YORK MELLON 140042          | 160,200                | 1.58           |
| Keiichiro Kinoshita                         | 133,000                | 1.31           |
| SBI SECURITIES Co., Ltd.                    | 88,039                 | 0.87           |
| Tsubasa Sakakura                            | 85,600                 | 0.84           |
| Rakuten Securities, Inc. (Shared account)   | 78,800                 | 0.78           |

|   |      |
|---|------|
| Name of Controlling Shareholder, if applicable (excluding Parent Companies) | -    |
| Name of Parent Company, if applicable                                       | None |

## Supplementary Explanation

Note 1: The percentages of number of shares owned are calculated excluding treasury shares, and rounded to the second decimal place.

Note 2: Although we hold 542,750 treasury shares, these are excluded from the above major shareholders.

### 3. Corporate Attributes

|   |                                |
|---|--------------------------------|
| Listed Stock Exchange and Market Segment                                      | Tokyo Standard Market          |
| Fiscal Year-End   | October                        |
| Business Sector   | Information & Communication    |
| Number of Employees (Consolidated) as of the End of the Previous Fiscal Year  | 100 or more but fewer than 500 |
| Net Sales (Consolidated) for the Previous Fiscal Year                         | Less than ¥10 billion          |
| Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year | Fewer than 10                  |

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

-

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

-

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

### 1. Organizational Composition and Operation

|                             |  |
|-----------------------------|--|
| Corporate Governance System | Company with Audit & Supervisory Committee |
|-----------------------------|--|

#### [Directors]

|   |           |
|---|-----------|
| Number of Directors Stipulated in Articles of Incorporation       | 9         |
| Directors' Term of Office Stipulated in Articles of Incorporation | 1 year    |
| Chairperson of the Board  | President |
| Number of Directors   | 7         |
| Election of Outside Directors                                     | Elected   |
| Number of Outside Directors                                       | 4         |
| Number of Independent Directors                                   | 4         |

Outside Directors' Relationship with the Company (1)

| Name              | Attributes           | Relationship with the Company* |   |   |   |   |   |   |   |   |   |   |
|-------------------|----------------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|
|                   |                      | a                              | b | c | d | e | f | g | h | i | j | k |
| Yoji Sugata       | From another company |                                |   |   |   |   |   |   |   |   |   |   |
| Hisashi Tanaami   | From another company |                                |   |   |   |   |   |   | △ |   |   |   |
| Akihiko Yagishita | Attorney             |                                |   |   |   |   |   |   | △ |   |   |   |
| Kohei Kato        | CPA                  |                                |   |   |   |   |   |   |   |   |   |   |

\*Categories for "Relationship with the Company".

(Use "○" 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; and "▲" when a close relative of the director fell under the category in the past.)

- a. Person who executes business for the Company or its subsidiary
- b. Person who executes business for a non-executive director of the Company's parent company
- c. Person who executes business for a fellow subsidiary
- d. Person/entity for which the Company is a major client or a person who executes business for said person/entity
- e. Major client of the Company or a person who executes business for said client
- f. Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company in addition to compensation as a director/company auditor
- g. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
- h. Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to director him/herself only)
- i. Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to director him/herself only)
- j. Person who executes business for an entity receiving donations from the Company (applies to director him/herself only)
- k. Other

Outside Directors' Relationship with the Company (2)

| Name        | Audit & Supervisory Committee Member | Designation as Independent Director | Supplementary Explanation of the Relationship | Reasons for Appointment   |
|-------------|--------------------------------------|-------------------------------------|---|---|
| Yoji Sugata |                                      | ○                                   | -   | Mr. Yoji Sugata has abundant knowledge and experience as a corporate manager. Based on this, we believe he can contribute to strengthening the effectiveness of our Board of Directors by providing advice and guidance on management and by exercising appropriate oversight from an objective perspective. Therefore, we have elected him as an Outside Director. In addition, Mr. Sugata fulfills the independence standards stipulated by the Tokyo Stock Exchange, and as there is no special interest between him and the Company, we have determined there will be no conflict of interest with general shareholders, and has been designated as an independent officer. |

| Name              | Audit & Supervisory Committee Member | Designation as Independent Director | Supplementary Explanation of the Relationship   | Reasons for Appointment  |
|-------------------|--------------------------------------|-------------------------------------|---|--|
| Hisashi Tanaami   | ○                                    | ○                                   | Mr. Hisashi Tanaami was a Member of the Board of Monex, Inc. until January 2020. Although the Company does have a history of transactions with Monex, Inc., the monetary amounts are small from the perspective of both sides.  | Mr. Hisashi Tanaami has abundant experience and deep insight into corporate management. Based on this, we expect he will be able to play a sufficient role in building an organizational foundation and a management system to enhance corporate value of the Company, as well as strengthening internal control and compliance systems. Therefore, we have elected him as an Outside Director. In addition, Mr. Tanaami fulfills the independence standards stipulated by the Tokyo Stock Exchange, and as there is no special interest between him and the Company, we have determined there will be no conflict of interest with general shareholders, and has been designated as an independent officer.       |
| Akihiko Yagishita | ○                                    | ○                                   | Although the Company has a business relationship with Uchida & Samejima Law Firm, where Mr. Akihiko Yagishita serves as a partner, for specialized services such as legal consultations, the transaction amount in our most recent fiscal year was less than 0.1% of the total sales amount of each party and is small, and therefore does not affect his independence. | Mr. Akihiko Yagishita has abundant knowledge and experience as an attorney and patent attorney. Based on this, we believe he can contribute to strengthening corporate governance by overseeing our management mainly in the areas of intellectual property and legal affairs and compliance, and by providing advice on overall management. Therefore, we have elected him as an Outside Director. In addition, Mr. Yagishita fulfills the independence standards stipulated by the Tokyo Stock Exchange, and as there is no special interest between him and the Company, we have determined there will be no conflict of interest with general shareholders, and has been designated as an independent officer. |

| Name       | Audit & Supervisory Committee Member | Designation as Independent Director | Supplementary Explanation of the Relationship | Reasons for Appointment  |
|------------|--------------------------------------|-------------------------------------|---|--|
| Kohei Kato | ○                                    | ○                                   | -   | Mr. Kohei Kato has abundant knowledge and experience as a certified public accountant. Based on this, we believe he can contribute to strengthening the effectiveness of our Board of Directors' decision-making and oversight functions from a position independent of management. Therefore, we have elected him as an Outside Director. In addition, Mr. Kato fulfills the independence standards stipulated by the Tokyo Stock Exchange, and as there is no special interest between him and the Company, we have determined there will be no conflict of interest with general shareholders, and has been designated as an independent officer. |

### [Audit & Supervisory Committee]

#### Composition of Audit & Supervisory Committee and Attributes of the Chairperson

|                               | All Committee Members | Full-time Members | Inside Directors | Outside Directors | Committee Chair  |
|-------------------------------|-----------------------|-------------------|------------------|-------------------|------------------|
| Audit & Supervisory Committee | 3                     | 0                 | 0                | 3                 | Outside Director |

|  |           |
|--|-----------|
| Appointment of Directors and/or Staff to Support the Audit & Supervisory Committee | Appointed |
|--|-----------|

**Matters Concerning Independence of Said Directors and/or Staff from Executive Officers/Reasons for Adopting Current System**

The duties of the Audit & Supervisory Committee are assisted by the responsible parties for internal audits. In addition, when assisting the Audit & Supervisory Committee, Audit & Supervisory Committee assistants are independent from Directors (excluding Directors who are Audit & Supervisory Committee Members), and are subject to the instructions and orders of the Audit & Supervisory Committee. The Audit & Supervisory Committee will evaluate the assistance business of the Audit & Supervisory Committee assistants, and prior consent of the Audit & Supervisory Committee will be obtained on decisions on matters regarding personnel affairs, such as appointments and transfers, securing independence from parties other than Audit & Supervisory Committee Members.

**Cooperation among the Audit & Supervisory Committee, Accounting Auditors and Internal Audit Department**

The Audit & Supervisory Committee, Accounting Auditor, and responsible parties for internal audits will cooperatively conduct audits from time to time, and when an issue concerning business execution is discovered, will work closely to resolve the issue. In addition, the Audit & Supervisory Committee will work closely with the Accounting Auditor, exchanging information and opinions on a regular basis (every three months), and receiving reports on audit results.

**[Voluntary Established Committee(s)]**

|  |             |
|--|-------------|
| Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Compensation Committee | Established |
|--|-------------|

**Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chairperson**

|  | Committee's Name                      | All Members | Full-time Members | Inside Directors | Outside Directors | Outside Experts | Other | Chairperson      |
|--|---------------------------------------|-------------|-------------------|------------------|-------------------|-----------------|-------|------------------|
| Voluntarily Established Committee Equivalent to Nomination Committee   | Nomination and Compensation Committee | 4           | 0                 | 0                | 4                 | 0               | 0     | Outside Director |
| Voluntarily Established Committee Equivalent to Compensation Committee | Nomination and Compensation Committee | 4           | 0                 | 0                | 4                 | 0               | 0     | Outside Director |

**Supplementary Explanation**

A Nomination and Compensation Committee has been established as a voluntary advisory body to the Company's Board of Directors comprised of four members, three of whom are Outside Directors who are Audit & Supervisory Committee Members. The Nomination and Compensation Committee, in response to inquiries from the Board of Directors, will deliberate on the following matters and report back to the Board of Directors.

- (i) Matters concerning electing Directors and establishing systems
- (ii) Matters concerning the election and dismissal of Directors submitted to the General Shareholders' Meeting
- (iii) Matters concerning the election and dismissal of Executive Officers
- (iv) Matters concerning operation of the succession plan
- (v) Matters concerning Officer compensation policy and establishing systems
- (vi) Matters concerning compensation limits (matter resolved at the General Shareholders' Meeting) for Directors (excluding Directors who are Audit & Supervisory Committee Members)
- (vii) Matters concerning individual compensation of Directors (excluding Directors who are Audit & Supervisory Committee Members)
- (viii) Matters concerning the operation of the Officer compensation system
- (ix) Other important matters involving the nomination and compensation of Directors and matters the Board of Directors deem necessary

## [Matters Concerning Independent Directors]

|                                 |   |
|---------------------------------|---|
| Number of Independent Directors | 4 |
|---------------------------------|---|

### Other Matters Concerning Independent Directors

Referring to the criteria for judging independence of independent officers stipulated by the Tokyo Stock Exchange, the Company designates all Outside Directors who have the qualifications as independent officers as independent officers.

## [Incentives]

|  |  |
|--|--|
| Implementation Status of Measures related to Incentives Granted to Directors | Introduction of Financial Results-Based Compensation System / Introduction of Stock Options System / Other |
|--|--|

### Supplementary Explanation for Applicable Items

<Restricted stock income system>

Restricted stock is allocated as compensation to Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors). Restricted stock is comprised of the “enrollment-based restricted stock,” where the requirement for lifting the transfer restrictions is continuous employment for a certain period of time, and in addition to this requirement, the “financial results-based restricted stock,” where the requirement for lifting the transfer restrictions is achieving both of the financial results targets set by the Company’s Board of Directors of net sales and profit before income taxes. Enrollment-based restricted stock is paid at a certain time once every three years as principle, and financial results-based restricted stock is paid at a certain time every year. Furthermore, the payment ratio of fixed compensation and restricted stock is determined based on position, responsibilities, trends at other companies with a business scale similar to the Company’s, etc.

<Stock options system>

The Company has introduced a stock options system for the purpose of providing incentives to increase motivation and morale to improve the Company’s financial results and enhance corporate value.

|                                    |                              |
|------------------------------------|------------------------------|
| Persons Eligible for Stock Options | Inside Directors / Employees |
|------------------------------------|------------------------------|

### Supplementary Explanation for Applicable Items

The Company has introduced a stock options system for the purpose of providing incentives to increase motivation and morale of Directors and employees to improve the Company’s financial results and enhance corporate value.

## [Director Compensation]

|  |                                     |
|--|-------------------------------------|
| Status of Disclosure of Individual Director’s Compensation | Disclosure for Individual Directors |
|--|-------------------------------------|

### Supplementary Explanation for Applicable Items

Individual compensation is not disclosed as there are no amounts of compensation, etc. of ¥100 million or more. After establishing classifications of Directors (excluding Audit & Supervisory Committee Members and Outside Directors), Directors (excluding Outside Directors who are Audit & Supervisory Committee Members) and Outside Directors (Audit & Supervisory Committee Members), the total amount of each type of compensation is disclosed.

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

Limits to the total amount of compensation of Directors and Audit & Supervisory Committee Members each are resolved at the General Shareholders' Meeting, and compensation of Directors is consulted by the Board of Directors to the Nomination and Compensation Committee, and is determined by resolution of the Board of Directors after receiving said report. Compensation of Directors who are Audit & Supervisory Committee Members is determined based on discussions by the Audit & Supervisory Committee. Compensation is based on a system where the Company's financial results, responsibilities and results of positions, etc. are reflected.

### [Support System for Outside Directors]

The support system for Outside Directors is conducted by the Administration Department. For materials for Board of Directors meetings, proposal matters are sent three days before holding a Board of Directors meeting in principle, in addition to striving to promote understanding through explaining details of discussion items at the management meeting held before holding a Board of Directors meeting.

## 2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Compensation Decisions (Overview of Current Corporate Governance System)

The outline of the Company's corporate governance system is as follows.

(Details of each organization, etc.)

#### a. Board of Directors

The Company's Board of Directors is comprised of seven Directors (of which, four Outside Directors), and regular Board of Directors meetings are held once a month in principle, where important decisions are made by reporting the status of financial results and submitting proposals in accordance with standards for Board of Directors' discussions. When an issue arises for which there is no time until the regular Board of Directors meeting, an extraordinary Board of Directors meeting will be held, where decisions will be made after sufficient deliberation.

#### b. Audit & Supervisory Committee

The Audit & Supervisory Committee is comprised of three highly independent Outside Directors, and in addition to holding meetings once a month in principle, holds extraordinary Audit & Supervisory Committee meetings as necessary. Audit & Supervisory Committee Members will, through attending important meetings, exchanging opinions with the Representative Director and President, Directors who are not Audit & Supervisory Committee Members, and managerial employees, and reading important documents, will conduct strict audits of the status of execution of Directors' duties based on Audit & Supervisory Committee regulations and audit plans established by the Audit & Supervisory Committee. In addition, Audit & Supervisory Committee Members strive to secure the effectiveness of audits through regular sharing of information with the Accounting Auditor and the responsible parties for internal audits, grasping audit plans of the Accounting Auditor, and grasping the status of internal audits.

#### c. Accounting Auditor

The Company conducts appropriate audits in a timely manner through entering into an audit contract with BDO Sanyu & Co.

#### d. Executive Officer system

The Company has introduced an Executive Officer system aiming to strengthen the decision-making function and supervisory function of the Board of Directors, and to make business execution more efficient. Executive Officers are elected by the Board of Directors, and in addition to attending important meetings, they make decisions and execute business for the business they are in charge of, which are established by resolution of the Board of Directors.

#### e. Nomination and Compensation Committee

The Company has established the Nomination and Compensation Committee of four Outside Directors as an advisory body for the Board of Directors for the purpose of strengthening independence, objectiveness, and accountability, through considering particularly important matters such as the nomination and compensation, etc. of Directors and Executive Officers as well as improving the effectiveness of the Board of Directors as a whole and establishing a governance system.

(Status of establishing an internal control system)

The Company has established the "Basic policy for establishing an internal control system" through resolution of the Board of Directors, and based on this policy, secures a system whereby the internal control system functions effectively, aiming to establish various internal regulations, etc. alongside thorough compliance with regulations. In addition, to secure the effective function of the internal control system, internal audits are conducted by the responsible parties for internal audits.

(Status of internal audits, Audit & Supervisory Committee audits, and Accounting Auditor audits)

#### a. Internal audits

The Company complies with laws and regulations and internal audit regulations, and strives for appropriate and efficient business operations.

Although the Company has not established an independent Internal Audit Office given the fact that we are a small organization, audits of business are conducted for all departments through two responsible parties for internal audits appointed by the Representative Director and President. The responsible parties for internal audits conduct audits of business for all departments excluding departments they are under, and the independence of audits is secured by the responsible party for audits from a different department conducting audits for departments that the other is under. The results of internal audits are reported to the Representative Director and President, and if it is discovered that a matter should be improved, improvement instructions will be notified to audited departments, and an improvement status report shall be submitted to the responsible parties for audits.

**b. Audit & Supervisory Committee audits**

The Company holds Audit & Supervisory Committee meetings once a month from the perspective of strengthening Audit & Supervisory Committee audits, and strives to conduct timely and strict audits. In addition, along with audits of business and accounting audits based on prescribed audit plans, we strive to increase the effectiveness of audits through actively sharing information with the Accounting Auditor and responsible parties for audits.

**c. Accounting Auditor audits**

The Company has entered into an accounting contract with BDO Sanyu & Co., and receives accounting audits. The Company's Accounting Auditor shares opinions of appropriate accounting treatment, etc. even mid-term, and shares information and increases mutual collaboration as necessary.

**d. Collaboration between Administration Department, Audit & Supervisory Committee audits, internal audits, and accounting audits**

The Audit & Supervisory Committee, Accounting Auditor, and responsible parties for internal audits will cooperatively conduct audits collaboratively from time to time, and when an issue concerning business execution is discovered, will work closely to resolve the issue. In addition, the Audit & Supervisory Committee will work closely with the Accounting Auditor, exchanging information and opinions on a regular basis (every three months), and receiving reports on audit results.

The Audit & Supervisory Committee, responsible parties for internal audits, and the Accounting Auditor, when conducting internal control audits and evaluations, in addition to requesting explanations and materials from the Administration Department regarding the details of business, risks of business, activities to control them, etc., the Administration Department continuously conducts improvement activities regarding the establishment and operation of internal controls, based on the findings, etc. of Audit & Supervisory Committee, Accounting Auditor, and responsible parties for internal audits.

**3. Reasons for Adoption of Current Corporate Governance System**

With the resolution of the Annual General Shareholders' Meeting held on January 26, 2018, the Company transitioned to a company with an Audit & Supervisory Committee, and has elected three Directors who are Audit & Supervisory Committee Members (of which, three Outside Directors).

The company with an Audit & Supervisory Committee system was selected aiming for further enhancement of corporate governance through strengthening the supervisory function of the Board of Directors due to Directors who are Audit & Supervisory Committee Members having voting rights at Board of Directors meetings.

**III. Implementation of Measures for Shareholders and Other Stakeholders**

**1. Measures to Vitalize General Shareholders' Meeting and Facilitate Exercise of Voting Rights**

|   | Supplementary Explanation   |
|---|---|
| Scheduling of the General Shareholders' Meeting on a Non-Peak Day   | As the Company's financial results period is in October, the General Shareholders' Meeting is held in January, and not June, which is when many other listed companies hold their meetings. |
| Electronic Exercise of Voting Rights  | Introduced  |
| Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights | Introduced  |
| Provision of Notice (or Summary of Notice) of the General Shareholders' Meeting in English  | Provided  |

## 2. Status of IR-related Activities

|   | Supplementary Explanation  | Explanation by a representative director or a representative executive officer |
|---|--|--|
| Formulation and Publication of Disclosure Policies                        | The Company has created disclosure policies, and has announced them within the IR page on the Company's website.   |  |
| Regular Investor Briefings held for Individual Investors                  | In addition to regularly holding financial results meetings after the end of the fiscal year, we plan to hold financial results meetings for individual investors. | Held   |
| Regular Investor Briefings held for Analysts and Institutional Investors  | We plan to visit regular institutional investors after the end of the fiscal year.   | Held   |
| Regular Investor Briefings held for Overseas Investors                    | We conduct irregular overseas IR online.   | Held   |
| Online Disclosure of IR Information                                       | Posted within the IR page on the Company's website.  |  |
| Establishment of Department and/or Placement of a Manager in Charge of IR | Department in charge of IR: Corporate Planning and President's Office<br>Manager in Charge of IR: Norimasa Kanemachi, Director and CFO                             |  |

## 3. Status of Measures to Ensure Due Respect for Stakeholders

|  | Supplementary Explanation  |
|--|--|
| Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders | In the risk and compliance regulations, ensuring quality and safety of our services takes priority, and stipulates that we will sincerely strive to eliminate and reduce factors that harm the interests of each stakeholder, including customers, business partners, shareholders and investors, local communities, and the global environment.   |
| Implementation of Environmental Preservation Activities and CSR Activities, etc.     | We have established sustainability promotion regulations, and have established a Sustainability Promotion Committee under the organization of the Board of Directors, and identifying materiality (important issues) for each of "environment," "society," and "governance," we are actively working to resolve them. Furthermore, the status of sustainability promotion activities and environmental conservation activities are reported in the "Sustainability Report" and on the Company's website. |
| Formulation of Policies, etc. on Provision of Information to Stakeholders            | In timely disclosure regulations, we comply with laws and regulations related to financial instrument transactions and the regulations of financial instrument exchanges, and stipulates we provide timely and appropriate company information to all of the Company's shareholders, investors, and other stakeholders.  |

## IV. Matters Concerning the Internal Control System

### 1. Basic Views on Internal Control System and Status of Development

As a system to secure the appropriateness of the Company's business, the "Basic policy for establishing an internal control system" was established through resolution at the Board of Directors meeting in January 2018, and operations are conducted based on this basic policy.

1. System to secure execution of duties by the Company's Directors and employees comply with laws and regulations and the Articles of Incorporation

- The Company has established a corporate philosophy and code of conduct, and strives to establish corporate ethics and thorough compliance with laws and regulations.
- An internal control system has been established and is operated so the Company's Directors and employees comply with laws and regulations, the Articles of Incorporation, internal regulations, etc., and perform their duties based on compliance.

- An internal reporting system has been established for the Company’s employees, etc. to directly report and consult as a reporting system for violations of ethics, laws and regulations, etc., and in the event of an act that violates laws and regulations or the Articles of Incorporation, the Board of Directors will deliberate based on “labor regulations,” and take appropriate measures.
  - The Company’s responsible parties for internal audits appointed by the Representative Director and President regularly conducts audits on departments that execute business based on “internal audit regulations,” and reports the results to the Representative Director and President and the Audit & Supervisory Committee.
  - We will take a strong stance against anti-social forces and organizations that threaten social order and safety, and will not have any relationships with them.
2. System for storing and managing information concerning the execution of duties by the Company’s Directors
    - Documents and other information related to the execution of duties by Directors are appropriately stored and managed in accordance with the “document management regulations” so that they can be read when needed.
  3. Regulations and other systems concerning the management of the Company’s risk of loss
    - Based on “Risk and compliance regulations” for other risks, for important management risks, at the Company’s Board of Directors meetings held every month, in addition to considering countermeasures and striving to prevent risk from materializing by the Risk and Compliance Committee meeting once every three months to grasp and analyze, in the event of a crisis, we have established a crisis management system with the Company’s Representative Director and President as the supervising person in charge.
  4. System to ensure that duties of the Company’s Directors are executed efficiently
    - Based on “Board of Director regulations,” the Company holds Board of Director meetings regularly once a month, and also holds extraordinary Board of Director meetings as necessary to discuss and consider important business execution matters.
    - The Company has established an organizational structure for the division of duties, chain of command, authority and decision-making, etc. based on the “Board of Director regulations,” “meeting regulations,” “organization regulations,” “division of duties regulations,” “authority of duties regulations,” etc.
  5. Matters concerning Directors and employees who assist the duties of the Company’s Audit & Supervisory Committee
    - The duties of the Audit & Supervisory Committee are assisted by the responsible parties for internal audits.
  6. Matters concerning the independence of the Directors and employees referred to in the previous item from the Company’s other Directors (excluding Directors who are Audit & Supervisory Committee Members)
    - The Audit & Supervisory Committee will evaluate the assistance business of the Audit & Supervisory Committee assistants, and prior consent of the Audit & Supervisory Committee will be obtained on decisions on matters regarding personnel affairs, such as appointments and transfers, securing independence from parties other than Audit & Supervisory Committee Members.
  7. Matters concerning ensuring the effectiveness of instructions to Directors and employees who assist the duties of the Company’s Audit & Supervisory Committee
    - When assisting the duties of the Audit & Supervisory Committee, the responsible parties for internal audits shall be independent from Directors (excluding Directors who are Audit & Supervisory Committee Members) and shall follow the instructions and orders from the Audit & Supervisory Committee.
  8. System for the Company’s Directors (excluding Directors who are Audit & Supervisory Committee Members) and employees to report to the Company’s Audit & Supervisory Committee
    - When the Company’s Directors (excluding Directors who are Audit & Supervisory Committee Members) and employees discover any violation of laws or regulations or other facts that may cause significant damage to the Company, they shall immediately report to the Audit & Supervisory Committee, and in addition, the Company’s Audit & Supervisory Committee has made it known that it can request reports from parties other than the Company’s Audit & Supervisory Committee as necessary.
  9. System to ensure that parties making reports as per the previous item are not treated unfavorably due to making said report
    - The Company prohibits Directors, employees, etc. who have made reports to the Audit & Supervisory Committee from being treated unfavorably due to having made said reports, and has made it known to all Directors, employees, etc.
  10. Matters concerning advance payment of expenses incurred in the execution of duties of the Audit & Supervisory Committee, procedures for reimbursement, and other expenses incurred in the execution of said duties, and policies regarding the treatment of debts
    - When the Audit & Supervisory Committee requests advance payment or reimbursement to the Company for expenses pursuant to Article 399-2, Paragraph 4 of the Companies Act in respect to the execution of duties, unless the request is clearly deemed unnecessary for the execution of duties of the Audit & Supervisory Committee, payment shall be made promptly after completing the necessary procedures.
  11. Other systems to ensure that audits by the Company’s Audit & Supervisory Committee are conducted effectively
    - The Company’s Audit & Supervisory Committee, in addition to attending Board of Directors meetings as well as other important meetings to grasp the important decision-making process and the status of execution of duties, and expressing their opinions, established a system to read documents concerning business execution and important matters that affect financial results, and has established in the “Audit & Supervisory Committee regulations” that explanations can be requested from Directors (excluding Directors who are Audit & Supervisory Committee Members) and employees, and has made it known.

- The Audit & Supervisory Committee works closely with the Accounting Auditor and the responsible parties for internal audits when conducting audits.
12. System to ensure the reliability of financial reporting
- To ensure the reliability of financial reporting, the Company has established and constructed an internal control system related to financial reporting, and has established a system to regularly and continuously evaluate the effective functioning of the system.

## 2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development

### a. Basic views on measures for eliminating anti-social forces

Stipulated in the “dealing with anti-social forces regulations,” the Company will have a strong stance against anti-social forces, will not provide benefits under any pretext, and will not have any relationships with anti-social forces.

In addition, if we have a relationship with an anti-social force without knowing that the other party is an anti-social force, at the time the other party is found to be an anti-social force or there is a suspicion that the other party is an anti-social force, we shall terminate the relationship as soon as it is possible in accordance with the procedures stipulated in said regulations.

### b. Status of development for eliminating anti-social forces

The Company has set the department responsible for responding to anti-social forces as the Administration Department, and the General Manager of the Administration Department has been set as the party responsible for supervising said responses (hereinafter, “responsible party”). In accordance with said regulations, the responsible party shall centrally manage and gather information regarding anti-social forces, support efforts to terminate relationships with anti-social forces, together with establishing internal systems, conduct training activities, prepare response materials, and strive to collaborate with external specialist organizations (Refers to police, public organizations involved with eliminating organized crime members, etc., associations, attorneys, etc. Same applies below.) to gather information on anti-social forces and update the details.

In addition, in order to prevent relationships with anti-social forces, together with conducting investigations on whether a party is an anti-social force through newspaper article searches by Nikkei Telecom, Internet searches, etc. before starting transactions, when creating contracts or terms of transactions related to the Company’s business, as principle, we shall include an organized crime exclusion clause.

Furthermore, the responsible party shall analyze information concerning anti-social forces, consider the status of dealing with anti-social forces internally, listen to opinions from external specialist organizations, and regularly verify the effectiveness and appropriateness of this system.

## V. Other

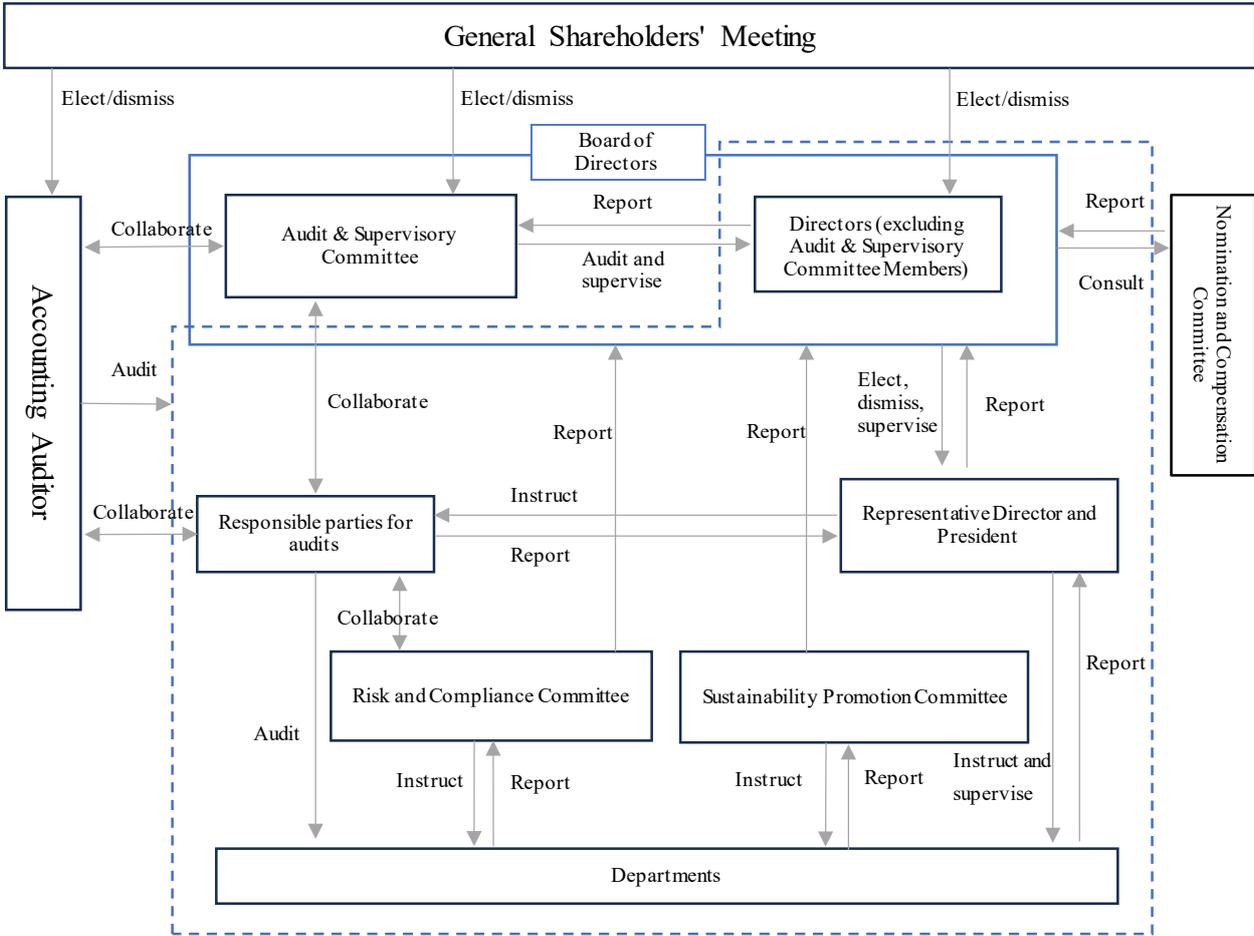
### 1. Adoption of Takeover Response Policies

| Adoption of Takeover Response Policies                                  | Not Adopted |
|---|-------------|
| Supplementary Explanation for Applicable Items                          |             |
| The Company currently has no plans to introduce anti-takeover measures. |             |

### 2. Other Matters Concerning the Corporate Governance System

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**Corporate governance system diagram**



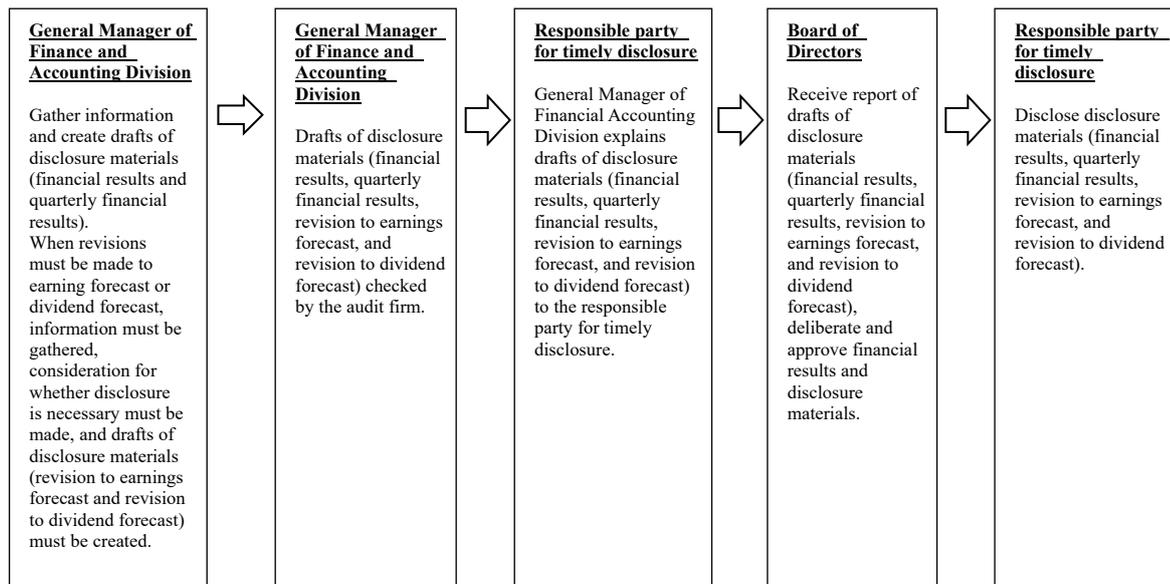
[Timely disclosure system]

(Definition of terms)

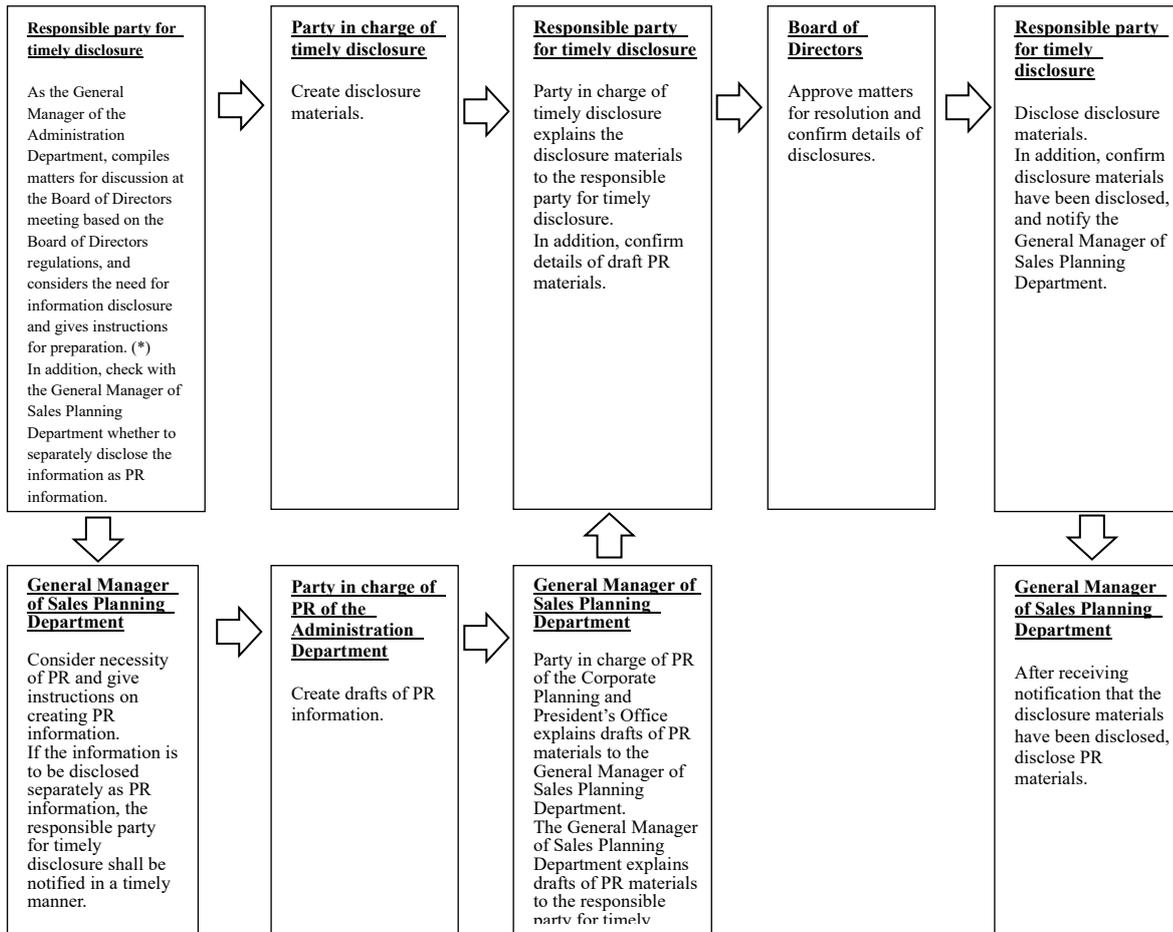
- Responsible party for timely disclosure: General Manager of Administration Department or General Manager of Corporate Planning & President’s Office
- Party in charge of timely disclosure: Party in charge of IR, Corporate Planning and President’s Office

(Timely disclosure process)

- Disclosure of financial results information

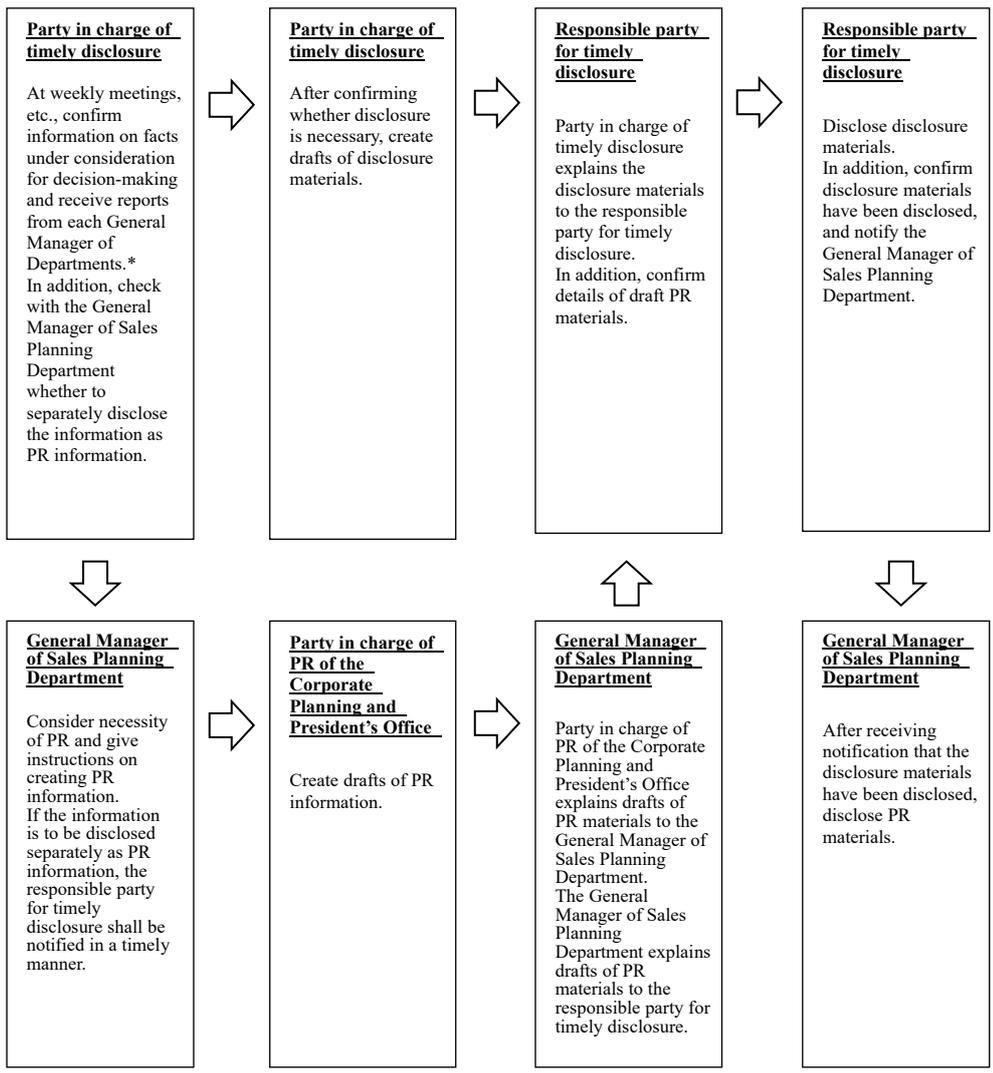


• Disclosure of decision facts (when submitted for discussion to the Board of Directors)



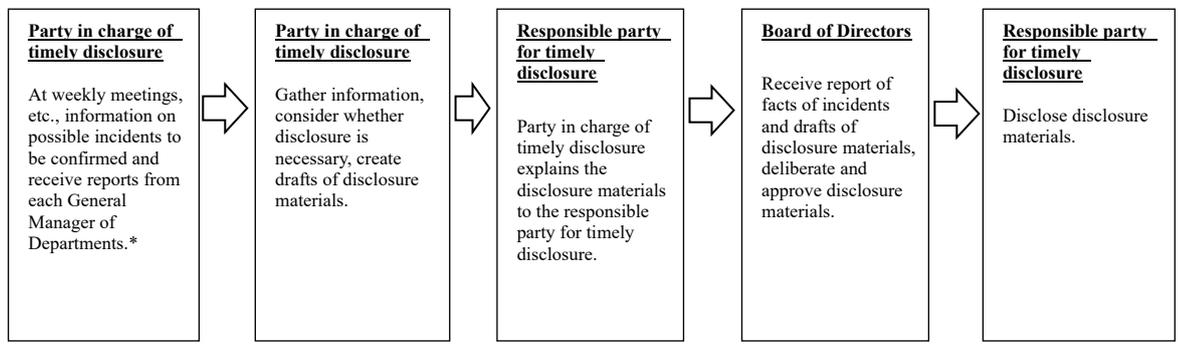
\*Request the General Manager of Finance and Accounting Division to confirm the impact of the decision facts on the earnings forecast.

• Disclosure of decision facts (when not submitted for discussion to the Board of Directors)



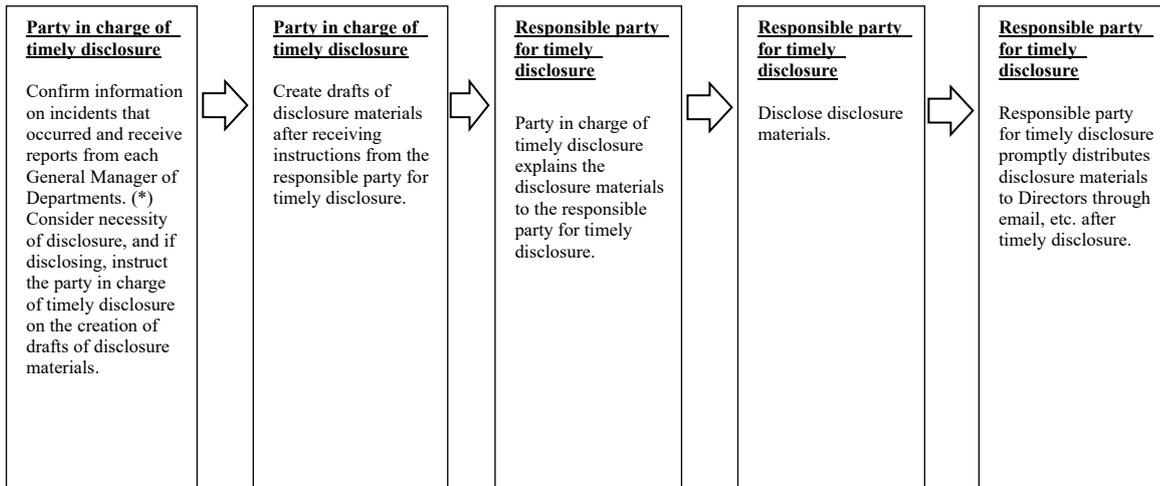
\*Request the General Manager of Finance and Accounting Division to confirm the impact of the decision facts on the earnings forecast.

• Disclosure of incidents that occurred (when submitted for discussion to the Board of Directors)



\*Request the General Manager of Finance and Accounting Division to confirm the impact of possible incidents on the earnings forecast.

- Disclosure of incidents that occurred (no extension to be submitted for discussion to the Board of Directors)



\*Request the General Manager of Finance and Accounting Division to confirm the impact of possible incidents on the earnings forecast.

[Supplementary Principle 4-11 (i): Basic views on diversity of Directors, etc.]

Skill matrix of Directors

| Name               | Director/Audit & Supervisory Committee Member | General management | Knowledge and experience in business promotion | Technology | Sales and marketing | Finance and accounting | Legal affairs and compliance | Internal control and risk management |
|--------------------|---|--------------------|--|------------|---------------------|------------------------|------------------------------|--------------------------------------|
| Atsushi Akita      | Director                                      | •                  | •  | •          | •                   |                        |                              |                                      |
| Haruo Matsubara    | Director                                      |                    | •  | •          |                     |                        |                              |                                      |
| Norimasa Kanemachi | Director                                      | •                  | •  |            |                     | •                      | •                            | •                                    |
| Yoji Sugata        | Director                                      | •                  |  | •          |                     | •                      | •                            |                                      |
| Hisashi Tanaami    | Audit & Supervisory Committee Member          | •                  |  |            |                     | •                      | •                            | •                                    |
| Akihiko Yagishita  | Audit & Supervisory Committee Member          |                    |  | •          |                     |                        | •                            | •                                    |
| Kohei Kato         | Audit & Supervisory Committee Member          |                    |  |            |                     | •                      | •                            | •                                    |