

The state of corporate governance of Oporun Co., Ltd. (hereinafter, the Company) is as described below.

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

1. Basic Views

The Company regards the strengthening of corporate governance as vital for the consistent growth of corporate value in order to earn the trust and meet the expectations of shareholders, customers, employees and all other stakeholders. Our basic policy is to accomplish this goal while maintaining the soundness and transparency of management, facilitating quick decision-making to adapt to changes in the business climate, and clearly defining responsibilities.

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

[Supplementary Principle 2.3.1] Approach of the Board of Directors to Issues Concerning Sustainability

The Company has a Risk Management Committee, whose chairperson is the Representative Director and President/CEO and members are full-time directors, executive officers, and general managers of all the departments of the headquarters. The Committee meets every three months to examine and deal with matters concerning sustainability. From FY2022, onwards, the Board of Directors will also engage more deeply in dealing with the issues concerning sustainability.

[Supplementary Principle 2.4.1] Ensuring Diversity

It is the policy of the Company to actively hire excellent talents regardless of attributes such as gender, nationality, or whether they are new graduates or mid-career workers, and to assign the right person in the right place. Therefore, we do not set numerical targets for each attribute. Our approach to human resource development is disclosed on our web page.(URL: <http://www.oporun.co.jp/sustainability/index.html>)

[Supplementary Principle 4.10.1] Use of Optional Approach

Of the Company's seven (7) directors, three (3) are independent outside directors. We seek adequate involvement of and advice from independent outside directors on the proposals for electing candidates for directors presented to the Board of Directors.

In addition, the Company has in place a voluntary compensation committee, a majority of whose members are independent outside directors, to ensure the appropriateness and transparency of remuneration.

We will also examine the necessity of a voluntary nomination committee or other body with the same function.

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

[Principle 1.4] Cross-Shareholdings

The Company does not, in principle, hold cross-held shares of other companies except where it is determined that a stable and continuous relationship with a business partner, etc., is beneficial to our business strategy and contributes to increasing the corporate value of Oporun Group (hereinafter, the Group) in the medium to long term.

We hold cross-held shares when it is determined that doing so is economically rational and necessary in the medium and long term, taking into consideration the risks and returns of holding such shares. Whether to continue, increase, reduce or discontinue such shareholdings are examined and decided by the Board of Directors.

With regard to the exercising of voting rights of such shares, we make a comprehensive decision, taking into account the policies and strategies of the business partner, etc., concerned, and checking for each proposal whether it will contribute to increasing our corporate value from the medium- to long-term viewpoint, or to adding to our medium- to long-term economic earnings.

[Principle 1.7] Related Party Transactions

(i) Basic policy on the execution of related party transactions

The Company's policy regarding related party transactions, etc. is to pay particular attention to checking whether or not such transaction impairs the soundness of the Group's management, whether it is effective in light of rational assessment, or whether the terms and conditions of such transaction are appropriate in comparison to those of other external transactions, and to execute such transactions by resolution of the Board of Directors.

(ii) System to ensure the appropriateness of related party transactions, etc.

The Group requires all officers, including those of group companies, to answer a questionnaire asking whether or not there are any related party transactions. In addition to this, we confirm with the audit corporation.

When newly conducting a transaction that constitutes a related party transaction, we carefully examine the validity, reasonability (need for business), etc., pursuant to the Company's resolutions of the Board of Directors and rules and regulations before obtaining approval. Thus, we have in place a system to ensure the adequacy of transactions.

Of the related party transactions, those stipulated below are subject to the resolution of the Board of Directors, while those that do not fall under the below are subject to approval according to the list of approval authorities.

- 1) Those that constitute transactions involving conflict of interest stipulated in the Companies Act
- 2) Those that are stipulated in the list of approval authorities to be subject to the resolution of the Board of Directors
- 3) Other transactions that are judged by the director in charge of administrative sections, who is responsible for the department that submitted

proposal for endorsement, to be referred to the Board of Directors according to the significance of the transactions concerned.

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

The Company does not have a defined benefit corporate pension plan but has instead established a defined contribution corporate pension plan, in which funds are invested according to the choice of each individual and partially subsidized by the Company. To deepen the employees' understanding of asset building, we provide guidance on this system at the time when they join the Company.

[Principle 3.1] Full Information Disclosure

(i) Company objectives (e.g., business principles), business strategies, and business plans

The Company's corporate vision is as shown below. These items are published on our website: "Mission--We are dedicated to the advancement of today's information-dependent society by taking on the challenge of further extending the boundaries of thin film technologies; Philosophy--Our goal is to advance with our customers as we capitalize on our management team and workforce with a global mindset for the creation of a company driven by the constant creation of new knowledge; Business--We supply our customers with total solutions that are centered on our core field of opto-nanotechnology."

(ii) Basic views and policies on corporate governance

As stated in "I. 1. Basic Views" of this report.

(iii) Policies and procedures for determining the remuneration of the senior management and directors

As stated in [Remuneration of Directors] in "II. 1. Organizational Composition and Operation" of this report.

(iv) Policies and procedures for the nomination of senior management, directors, and auditors

When nominating candidates for directors and corporate auditors, the Company selects persons who have the ability to make swift and appropriate decisions, the risk management ability, the knowledge and understanding of our industry, and good judgement, in addition to high ethical standards as a director, corporate auditor, or a member of the senior management.

When nominating candidates for outside directors and outside corporate auditors, the Company attaches importance to the candidate's independence from the Company, and selects persons who have high ethical standards, expert knowledge, good judgement, and experience, among others. Candidates are decided by the Board of Directors.

(v) Explanations on the election/nomination of individual members of the senior management, directors and auditors

Reasons for nominating directors and corporate auditors are stated in the notice of the Annual General Meeting of Shareholders.

[Supplementary Principle 3.1.3] Initiatives on Sustainability

The Company's initiatives on sustainability is disclosed on our web page. (URL: <http://www.optorun.co.jp/sustainability/in dex.html>)

Matters on investments in human capital and intellectual property are also stated in the Annual Securities Report, under IV. Information About the Reporting Company, 4. Corporate Governance and Other Matters.

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

The Company's Rules of the Board of Directors set down matters to be decided and resolved by the Board of Directors. The Rules of the Board of Directors stipulate that important decision-making matters, in addition to matters provided for by laws and the Articles of Incorporation, shall be decided and resolved by the Board of Directors. For matters other than the above, the Company delegates decision-making to the President and CEO and other executives according to the Approval Authority Rules, so as to conduct swift decision making in the execution of duties.

[Principle 4.8] Effective Use of Independent Directors

The Company appoints three (3) independent outside directors, who provide advice and opinions at the meetings of the Board of Directors from an independent viewpoint and play the role in protecting the interests of shareholders and other stakeholders.

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

When appointing independent outside directors, the Company makes comprehensive decision based on the independence criteria of independent officers set by the Tokyo Stock Exchange, Inc., the candidates' expertise, and prospective contribution to promoting our business.

[Supplementary Principle 4.11.1] Views on Diversity, Size, and the Balance of Knowledge, Experience and Abilities of the Board of Directors as a Whole

It is our policy to select the members of the Board of Directors irrespective of gender or nationality, taking into consideration the person's knowledge, experience in the relevant duties, experience of being involved in corporate management, and other matters, so that the Board may engage in multi-angled discussions and effectively fulfill its responsibility. Therefore, we believe that the diversity, size and the balance of knowledge, experience and abilities of our Board as a whole are adequate. Our independent outside directors include persons with experience in managing another company.

The set of skills, etc. of directors is disclosed on the notice of the Annual General Meeting of Shareholders.

[Supplementary Principle 4.11.2] Concurrent Office-holding by Directors and Corporate Auditors

The state of concurrent office-holding by our officers are stated in the Annual Securities Report and other documents.

[Supplementary Principle 4.11.3] Analysis and Evaluation of Effectiveness of the Board of Directors as a Whole

In order to secure the effectiveness of the Board of Directors and to improve its function, the Company's Board regularly conducts self-assessment of the Board of Directors involving all directors and corporate auditors, including outside directors and outside corporate auditors, the results of which are reported to and discussed at the meeting of the Board of Directors. The Board of Directors also formulates and implements measures to address issues identified from the assessments as needed. The self-assessments have shown that our directors rate the effectiveness of the Board to be generally high.

[Supplementary Principle 4.14.2] Training of Directors and Corporate Auditors

To further improve the insights required to carry out the duties as directors and corporate auditors, the Company invites external experts to conduct officer trainings and encourages corporate auditors to become a member of external organizations so as to deepen their understanding of audit work and enhance their professional skills.

[Principle 5.1] Policy for Constructive Dialogue with Shareholders

Our policy for promoting constructive dialogue with our shareholders are as stated below.

- At the General Meeting of Shareholders, we give earnings presentations, and the Representative Director and President/CEO answers the questions from the shareholders wherever possible, in our effort to help shareholders deepen their understanding of our business and

achievements.

- At the earnings presentations, the Representative Director and President/CEO and the Director and Executive Officer, General Manager of Corporate Management Department explain in person the Company's performance to institutional investors and give account of the state of the Company.
- We hold briefing for individual shareholders every year to explain our performance and details of our business in a manner that is easy to understand so as to promote their deeper understanding.
- For overseas IR, even under the COVID-19 situation, we are making use of web meetings to explain about the Company to our shareholders who are institutional investors as well as potential/prospective shareholders.
- Corporate Management Department is in charge of the Company's IR, with the Director and Executive Officer, General Manager of Corporate Management Department being designated as the person responsible for IR.
- The Company has established IR & Public Relations Office in the Corporate Management Department, which serves as a window for dialogue with shareholders. We have a structure that enables the gathering of information needed for explanations to shareholders.
- Regarding views and opinions heard in the dialogues with shareholders, the Corporate Management Department submits them as feedback to the Board of Directors so that the shareholders' opinions can be applied to the management.
- With rules regarding confidential information and insider trading in place, the Company's staff and management work to ensure appropriate management of information, while staff in charge of IR exercise thorough management of information to prevent the leakage of insider information in the course of shareholder dialogue.

2. Capital Structure

Foreign Shareholding Ratio	30% or more
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[Status of Major Shareholders] Updated

Name/Company name	Number of shares held	Percentage (%)
Zhejiang Crystal-Optech Co., Ltd.	6,507,700	15.08
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,390,300	12.47
Custody Bank of Japan, Ltd. (Trust Account)	4,262,100	9.86
Daiyu Son	2,503,400	5.79
JSR Corporation	2,310,000	5.35
ULVAC, Inc.	1,038,000	2.40
THE BANK OF NEW YORK MELLON 140044	933,100	2.16
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC SECURITIES/UCITS ASSETS	917,600	2.12
Ihei Hayashi	774,000	1.79
Xiao Lianfeng	618,000	1.43

Controlling shareholder (excluding parent company)	—
Parent company	None

Supplementary Explanations Updated

(Note) 1. The Company holds 1,141,000 shares of treasury stock but is excluded from the above list of major shareholders.

(Note) 2. The shareholding ratios are calculated by exempting the treasury stock.

(Note) 3. It is written in the Change Report No. 4 made available for public inspection on March 4, 2021, that Sumitomo Mitsui Trust Asset Management Company, Limited and Nikko Asset Management Co., Ltd., its joint shareholder, each held the shares stated below as of February 26, 2021. However, the Company was unable to confirm the effective number of shares held by these companies as of December 31, 2021. Therefore, these companies are not included in the above list of major shareholders.

The content of the Change Report No.4 is as follows:

Name/Address/Number of stocks, etc. held (1,000 shares)/Holding ratio of share certificates, etc. (%)

- Sumitomo Mitsui Trust Asset Management Company, Limited/1-1-1 Shibakoen, Minato-ku, Tokyo/2,780/6.27
- Nikko Asset Management Co., Ltd./9-7-1 Akasaka, Minato-ku, Tokyo/360/0.81

(Note) 4. It is written in the Change Report No. 1 made available for public inspection on June 7, 2021, that Mizuho Securities Co., Ltd. and Asset Management One Co., Ltd., its joint shareholder, each held the shares stated below as of May 31, 2021. However, the Company was unable to confirm the effective number of shares held by these companies as of December 31, 2021. Therefore, these companies are not included in the above list of major shareholders.

The content of the Change Report No.1 is as follows:

- Mizuho Securities Co., Ltd./1-5-1 Otemachi, Chiyoda-ku, Tokyo/1,009/2.28
- Asset Management One Co., Ltd./1-8-2 Marunouchi, Chiyoda-ku, Tokyo/1,052/2.37

(Note) 5. It is written in the Change Report No. 1 made available for public inspection on October 14, 2021, that BNY Mellon Investment Management Japan Limited and Mellon Investments Corporation, its joint shareholder, each held the shares stated below as of October 11, 2021. However, the Company was unable to confirm the effective number of shares held by these companies as of December 31, 2021. Therefore, these companies are not included in the above list of major shareholders.

The content of the Change Report No.1 is as follows:

- BNY Mellon Investment Management Japan Limited/Marunouchi Trust Tower Main, 1-8-3 Marunouchi, Chiyoda-ku, Tokyo/2,726/6.15
- Mellon Investments Corporation/BNY Mellon Center, One Boston Place, 201 Washington Street, Boston, MA 02108/71/0.16

3. Corporate Attributes

Stock exchange listing and category Updated	Tokyo Stock Exchange (Prime Market)
Fiscal year end	December
Industry	Machinery
Number of employees as of the latest fiscal year end (consolidated)	500 or more but less than 1,000
Net sales in the latest fiscal year (consolidated)	10 billion yen or more but less than 100 billion yen
Number of consolidated subsidiaries as of the latest fiscal year end	Less than 10

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

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5. Special Circumstances 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

1. Organizational Composition and Operation

Type of Organization	Company with Company Auditor(s)
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[Directors]

Number of directors stipulated in the Articles of Incorporation	10
Term of office of directors stipulated in the Articles of Incorporation	one year
Chairperson of the Board of Directors Updated	Chairman (except where the Chairman concurrently serves as President)
Number of directors Updated	7
Appointment of outside directors	Yes
Number of outside directors Updated	4
Number of outside directors who are designated as independent officer Updated	3

Relationship with the Company (1) Updated

Name	Attribute	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Min Rin	Originally from another company					○		○				
Takeshi Higuchi	Originally from another company								△			
Naoko Yamazaki	Originally from another company											
Tadashi Takiguchi	Originally from another company								○		○	

- * **Categories for “Relationship with the Company”**
- * “○” when the director presently falls or has recently fallen under the category, and “△” 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. Executive of the listed company or its subsidiary
- b. Non-executive director or executive of the parent company of the listed company
- c. Executive of a fellow subsidiary of the listed company
- d. A party whose major business partner is the listed company, or an executive thereof
- e. Major business partner of the listed company, or an executive thereof
- f. Consultant, accounting expert or legal expert who receives large amounts of cash or other property from the listed company, in addition to officer remuneration
- g. Major shareholder of the listed company (if the said shareholder is a corporation, an executive of the corporation)
- h. Executive of a business partner of the listed company (who is neither d, e, or f above) (applies to self only)
- i. Executive of a company with which the listed company has a relationship of cross-directorship/cross-auditorship through outside officers (applies to self only)
- j. Executive of an entity receiving a donation from the listed company (applies to self only)
- k. Other

Relationship with the Company (2) Updated

Name	Independent officer	Supplementary explanations of the Relationship	Reasons for appointment
Min Lin		Mr. Min Lin, the director, is the Chairman of the Board of Zhejiang Crystal-Optech Co., Ltd., which is a major shareholder and an other associated company of the Company, which makes him a “major business partner of the listed company or the executive.”	Mr. Lin has a wealth of experience in managing overseas companies and possesses great insight. The Company has appointed him as an outside director in the belief that he would provide appropriate advice to the Company’s management. As Mr. Lin is the Chairman of the Board of Zhejiang Crystal-Optech Co., Ltd., which is a major shareholder and an other associated company of the Company, he is not designated as an independent officer.
Takeshi Higuchi	○	Mr. Higuchi, the director, has previously served as an outside director of the Musashino Bank, Ltd. The Company holds an account in the Musashino Bank, but our business relationship with the bank is small in scale. Considering our business relationship with megabanks and other leading banks that are larger than the Musashino Bank, we believe that it does not constitute any problem.	Mr. Higuchi has a wealth of experience in corporate management on a global scale and possesses great insight. The Company has appointed him as an outside director in the belief that he would provide appropriate advice to the Company’s management. Mr. Higuchi has previously served as a Director and Senior Vice President of Fujifilm Corporation. Many years have passed since he retired from the position and he is currently not related to the company, so we assume that he is able to make management decisions from an objective viewpoint as the Company’s outside director. As of the time he assumed office, there was no relationship of interests between Mr. Higuchi and the Company. Therefore, he is appointed as an independent officer.
Naoko Yamazaki	○	—	Ms. Yamazaki possesses a broad knowledge and insight in aerospace engineering. The Company has appointed her as an outside director in the belief that she would contribute to the Company’s management from the viewpoint of aerospace engineering and business management. As of the time she assumed office, there was no relationship of interests between Ms. Yamazaki and the Company. Therefore, she is appointed as an independent officer.

Name	Independent officer	Supplementary explanations of the Relationship	Reasons for appointment
Tadashi Takiguchi	○	<p>Mr. Tadashi Takiguchi is the President and Representative Director of WERU Investment Co., Ltd., an unlimited liability partner of the Waseda Investment Limited Partnership, in which the Company invests. However, the amount of investment is insignificant, and we believe that it does not constitute any problem.</p> <p>In the past, the Company has entrusted services related to venture investment to WERU Investment Co., Ltd. However, it was only for a short period and a considerable time has passed since the transaction ended, and the total amount of fees paid was insignificant. Therefore, we believe that it does not constitute any problem.</p> <p>The Company makes donations to Waseda University, where Mr. Takiguchi serves as Visiting Professor. However, the amount of donation is insignificant.</p>	<p>Mr. Takiguchi is a representative of a venture capital firm and possesses extensive experience and a high level of knowledge in corporate management. As a visiting professor of Waseda University, he teaches students with an eye to developing business ventures. The Company has appointed him as outside director in the belief that he would contribute to the Company's management when carrying out M&As or business tie-ups and in boosting hiring power.</p> <p>Mr. Tadashi Takiguchi is the President and Representative Director of WERU Investment Co., Ltd., an unlimited liability partner of the Waseda Investment Limited Partnership, in which the Company invests. However, the Partnership is one of the multiple investment partnerships that WERU Investment operates, and WERU Investment does not depend on the transactions with the Company.</p> <p>In the past, the Company has entrusted services related to venture investment to WERU Investment Co., Ltd., of which Mr. Takiguchi is the President and Representative Director, and the Company makes donations to Waseda University, where Mr. Takiguchi serves as Visiting Professor, but these are of no significance, as stated on the left column. For the reasons stated above, the Company believes that Mr. Takiguchi is able to make management decisions from an objective viewpoint as an outside director of the Company.</p> <p>As of the time he assumed office, there was no relationship of interest between Mr. Takiguchi and the Company. Therefore, he is appointed as an independent officer.</p>

Voluntary establishment of committee(s) equivalent to Nomination Committee or Remuneration Committee

Established

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

	Name of committee	Total committee members (number)	Full-time members (number)	Inside Directors (number)	Outside Directors (number)	Outside Experts (number)	Other (number)	Committee Chairperson (meeting chair)
Voluntary committee equivalent to nomination committee	—	—	—	—	—	—	—	—
Voluntary committee equivalent to remuneration committee	Compensation Committee	3	0	1	2	0	0	Inside Directors

Supplementary Explanations

The Compensation Committee has the Representative Director, President and CEO as its chairperson and the members are directors who were selected at the meeting of the Board of Directors. A majority of the members are outside directors. The Compensation Committee deliberates, resolves and regularly reports to the Board of Directors on matters regarding compensation including proposals on the remuneration of officers for each fiscal year, according to the "Rules of the Compensation Committee" that stipulate its operations and matters to be brought for discussion, among others.

[Corporate Auditors]

Establishment of a Board of Corporate Auditors	Established
Number of corporate auditors stipulated in the Articles of Incorporation	5
Number of corporate auditors	3

Cooperation among Corporate Auditors, Accounting Auditors and Internal Audit Section

The Internal Audit Department, corporate auditors and the accounting auditors meet once every three months to share information and exchange opinions.

Appointment of outside corporate auditors	Yes
Number of outside corporate auditors	2
Number of outside corporate auditors who are designated as an independent officer	2

Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*)													
		a	b	c	d	e	f	g	h	i	j	k	l	m	
Hironobu Sasada	Certified Public Accountant												△		
Ritsu Katayama	Attorney at law														

- * Categories for "Relationship with the Company"
- * "○" when the director presently falls or has recently fallen under the category, and "△" 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. Executive of the listed company or its subsidiary
- b. Non-executive director or accounting advisor of the listed company or its subsidiary
- c. Non-executive director or executive of the parent company of the listed company
- d. Corporate auditor of the parent company of the listed company
- e. Executive of a fellow subsidiary of the listed company
- f. A party whose major business partner is the listed company, or an executive thereof
- g. Major business partner of the listed company, or an executive thereof
- h. Consultant, accounting expert or legal expert who receives large amounts of cash or other property from the listed company, in addition to officer remuneration
- i. Major shareholder of the listed company (if the said shareholder is a corporation, an executive of the corporation)
- j. Executive of a business partner of the listed company (who is neither f, g, or h above) (applies to self only)
- k. Executive of a company with which the listed company has a relationship of cross-directorship/cross-auditorship through outside officers (applies to self only)
- l. Executive of an entity receiving a donation from the listed company (applies to self only)
- m. Other

Relationship with the Company (2)

Name Updated	Independent officer	Supplementary explanations of the Relationship	Reasons for appointment
Hironobu Sasada	○	<p>Mr. Sasada, the Corporate Auditor, belonged to Deloitte Touche Tohmatsu LLC until August 2020, but is now retired from the firm and has no relationship with the firm.</p> <p>The Company is receiving consulting service on internal audits from Deloitte Touche Tohmatsu LLC, but it is from the Risk Advisory section of the firm, not the Audit and Assurance section to which Mr. Sasada belonged. Moreover, the fees paid to Deloitte Touche Tohmatsu LLC is insignificant. Therefore, we believe that it does not constitute any problem.</p>	<p>Mr. Sasada possesses expert knowledge and a wealth of experience as a certified public accountant. The Company has appointed him as an outside corporate auditor in the belief that he would be able to execute the audits of the Company's management.</p> <p>Although Mr. Sasada belonged to Deloitte Touche Tohmatsu LLC until August 2020, he does not share common interests with the Risk Advisory section of the firm, as stated on the left column, so we assume that he is able to make management decisions from an objective viewpoint the audits of the Company.</p> <p>In addition, as of the time he assumed office, there was no relationship of interest between Mr. Sasada and the Company. Therefore, he is appointed as an independent officer.</p>
Ritsu Katayama	○	—	<p>Mr. Katayama has a wealth of experience in the legal field and possesses great insight. The Company has appointed him as an outside corporate auditor in the belief that he would be able to execute the audits of the Company's management.</p> <p>As of the time he assumed office, there was no relationship of interest between Mr. Katayama and the Company. Therefore, he is appointed as an independent officer.</p>

[Independent Officers]

Number of independent officers	5
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Other Matters Related to Independent Officers

The Company designates as independent officers all of the outside directors who qualify as an independent officer.

[Incentives]

Implementation Status of Measures related to Incentives Granted to Directors	Introduced performance-linked remuneration plan, stock option plan, others
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Supplementary Explanations on Applicable Items

We pay attention to the changes in performance and where there is an improvement, we promptly determine the annual compensations and make monthly payments accordingly. We also pay compensations for the granting of share acquisition rights and restricted shares, with the aim of motivating the directors to improve performance and raising their morale.

Persons eligible for stock options	Internal directors, employees, employees of a subsidiary, other
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Supplementary Explanations on Applicable Items

Aiming to motivate the Company's directors and employees and to raise their morale, we grant them share acquisition rights.

[Remuneration of Directors]

Status of Disclosure (of Individual Directors' Remuneration)

Disclosure for selected directors

Supplementary Explanations on Applicable Items

The remuneration of individuals whose total amount of remuneration is 100 million yen or above is stated in the Remuneration of Officers, etc. section of the Annual Securities Report.

As for the others, we disclose the aggregate amount of remuneration, etc., for each officer category (directors [excluding outside directors], corporate auditors [excluding outside directors], outside directors, and outside corporate auditors) and the aggregate amount of remuneration, etc. for each type of remuneration, etc.

Policy for Determining Remuneration Amounts and the Calculation Methods Thereof Updated

Established

Disclosure of the Policy for Determining Remuneration Amounts or the Calculation Methods

Details of the Policy for Determining the Amounts of Remuneration, etc., of Officers and the Calculation Methods, and the Methods of Determination

(A) Outline of the Company's Officer Remuneration

The Company's remuneration for full-time directors consists of base compensation, bonuses, and the granting of restricted shares. The base compensation is determined by resolution of the Compensation Committee within the limit set by resolution of the General Meeting of Shareholders, considering factors such as each director's position, performance of the Company, etc., in a comprehensive manner, and in accordance with the Company's Rules on the Officers' Remuneration and the Rules of the Compensation Committee. Remuneration in restricted shares is determined by resolution of the Board of Directors in accordance with the Rules on the Officers' Stock Remuneration. Base Compensation consists of fixed compensation and performance-linked bonuses. Bonuses are paid as an incentive for the officers to be committed to achieving the business year's performance target, in order to make it clear that officer remuneration is paid relative to the link to performance. Fixed compensation is set as the fixed amount determined by the Rules on the Officers' Remuneration. Performance-linked bonus is calculated by multiplying the past five years' average for the ratio (%) of [aggregate amount of bonus/consolidated ordinary income] by the estimated consolidated ordinary income for the business year. The resulting figure becomes the aggregate amount of bonus and distribution among the officers is approved and decided by the Compensation Committee.

Regarding the payment method of officers' remuneration, the basic compensation (the total of fixed compensation and bonus) is paid on a monthly basis as a fixed amount periodical compensation. In case an adjustment is required due to the divergence between estimated and actual consolidated ordinary income, we either pay a bonus in lumpsum separately or deduct from the fixed amount periodical compensation in the following business year.

Remuneration in restricted shares was introduced by approval of the 20th Annual General Meeting of Shareholders held on March 27, 2019, and is given as an incentive for our officers, etc., to work to continuously increase the Company's corporate value and also to let them share the values with our shareholders more closely. The details of allotment are decided by resolution of the Board of Directors in accordance with the Rules on the Officers' Stock Remuneration.

Remuneration for part-time directors is a fixed compensation and is determined in comprehensive consideration of the social position, degree of contribution to the Company, circumstances of appointment, and other matters regarding the officer concerned. Adjustments are made as necessary, however, depending on the changes in social situation, the trends of business, the degree of contribution to business, changes in the circumstances of the officer concerned from the business point of view, and other factors.

The compensation of the Company's corporate auditors are the fixed compensation only, in light of their independent position that comes with an authority to audit the execution of duties.

(B) Matters Related to the Policy for Determining Remuneration Amounts, etc. for Individual Directors

The Company decides the policy for determining the content of remuneration, etc. of individual directors and executive officers, etc., by resolution of the Board of Directors.

The Board of Directors has judged that the method for determining the content of remuneration, etc., and the determined content of remuneration etc., for individual directors for the current business year are consistent with the determination policy concerned and in line with the determination policy concerned.

The policies for determining the remuneration, etc. of individual directors are as shown below.

(Full-time directors)

- a. Officer's remuneration (fixed compensation + performance-linked bonus) is discussed and approved by the Compensation Committee for each officer, based on the amount and coefficient for each position.
- b. Policy regarding non-monetary compensation
To be determined by resolution of the Board of Directors according to the number of shares set by the Company for each position.

(Part-time directors)

Officer's compensation is a fixed compensation and is decided by approval of the Compensation Committee and the Board of Directors.

(C) Upper Limit for Remuneration

The upper limit for the remuneration of directors has been decided by resolution of the Annual General Meeting of Shareholders held on March 29, 2017, to be 800 million yen or less per year (excluding the employee's salary portion).

The upper limit for the compensation of corporate auditors has been decided by resolution of the Annual General Meeting of Shareholders held on March 29, 2017, to be 35 million yen or less per year. The compensation of corporate auditors is determined within the limit stated above through discussion among corporate auditors.

The upper limit for the remuneration in restricted shares for directors has been decided by resolution of the 20th Annual General Meeting of Shareholders held on March 27, 2019, to be 100 million yen or less per year, separately from the upper limit set for directors' remuneration.

[Support System for Outside Directors (Outside Corporate Auditors)]

The administration section is in charge of supporting the work of outside directors by providing briefing on the agenda items prior to the meetings of the Board of Directors. The full-time corporate auditor and Internal Audit Department is in charge of supporting the work of outside corporate auditors by reporting to them on the state of execution of duties by the directors and providing briefing on the state of implementation of internal audits.

[Status of Persons who have Retired from the Positions of Representative Director and President, etc.]

Names of former representative directors/presidents, etc., holding advisory positions

Name	Title/position	Responsibilities	Terms and working arrangements (Full-time/part time, with or without compensation)	Date of retirement as President, etc.	Term in office
Daiyu Son	Honorary Chairman	Corporate management; M&A; sales; R&D; quality management and advice on subsidiaries, etc.; advice on the establishment of structure for R&D work; duties specially commanded by the President, etc.	Part-time, with compensation	March 27, 2019	Annual contract

Total number of former representative directors/presidents, etc. holding advisory positions

1

Other Matters

The Company's internal rules provide for various positions including honorary chairman, who are appointed by resolution of the Board of Directors.

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

The Company's corporate governance system is built around the Board of Directors and the Board of Corporate Auditors. With the executive officer system in place, the Board of Directors play the role of checking the execution of duties by the executive officers from the corporate management point of view, while corporate auditors check on the functions of the Board of Directors. This system has allowed us to make quick decisions and to clarify where the management responsibility lies. Of the executive officers, two (2) are internal directors who concurrently serve both roles and three (3) are dedicated executive officers.

(1) Board of Directors

The Board of Directors consists of seven (7) directors, of which four (4) are outside directors (of which three (3) are independent outside directors). The Board of Directors meets once every month and as needed to deliberate and resolve on matters of significance, including those regarding management plans. The meetings of the Board of Directors are attended by three (3) corporate auditors, thus providing a situation where significant decision-making is kept under check.

(2) Board of Corporate Auditors

The Board of Corporate Auditors consist of three (3) corporate auditors (of which two (2) are outside corporate auditors). Audit policies and audit plans are discussed and decided at the meetings of the Board of Corporate Auditors. The Board of Corporate Auditors meet once every month to perform its audit function on the directors and the Board of Directors according to matters stipulated in the Rules of the Board of Corporate Auditors.

(3) Executive Committee

The Executive Committee consists of full-time directors and executive officers, and regularly meets twice every month as a rule. Various members of the senior management and the full-time corporate auditor attend the meetings as observers. The agenda for the meeting includes reports on the resolutions of the Board of Directors and deliberation, resolution and report on significant management matters.

(4) Other Meetings

In addition to the above, the Company has in place the Compliance Committee, the Risk Management Committee, and the Compensation Committee, which work to effectively run our corporate governance system. The Compliance Committee meets every three months. Its chairperson is the Representative Director and President/CEO, and the members are appointed by the Representative Director and President/CEO and must meet the requirements, such as that they possess certain knowledge of the law and strong ethical consciousness. The Committee works to raise and spread awareness for compliance among the employees. In case of any breach of law, the Committee examines the facts, identifies the cause, and discusses measures to prevent it from happening again. Thus, the Committee works to enhance the effectiveness of compliance.

The Risk Management Committee meets every three months. Its chairperson is the Representative Director and President/CEO, and the members are full-time directors, executive officers, and general managers of all the departments of the headquarters. The Committee works to discuss and attend to matters such as reviewing risk measures, searching and identifying new risks, and when a risk comes to light, coping with the situation in a quick and accurate manner to minimize the damage and prevent it from happening again. Thus, our system works to enhance

the effectiveness of risk management.

The Committee Chair of the Compensation Committee is the Representative Director and President/CEO and its members are directors selected by the Board of Directors. A majority of the members are independent outside directors. The Compensation Committee deliberates, resolves and regularly reports to the Board of Directors on matters regarding compensation including proposals on the remuneration of officers for each fiscal year, according to the “Rules of the Compensation Committee” that stipulate its operations and matters to be brought for discussion, among others.

3. Reasons for Adopting the Current Corporate Governance System

Our Board of Directors is sufficiently capable of auditing the Company’s business execution, and our Board of Corporate Auditors have the objectivity and neutrality to perform audit function on corporate management. For these reasons, we have adopted the current system.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Efforts to Vitalize General Meeting of Shareholders and Facilitate Exercise of Voting Rights

	Supplementary Explanations
Early Posting of the Notice of General Meeting of Shareholders	We make every effort to send the notice as early as possible.
Scheduling of the General Meeting of Shareholders Outside of the Peak Days	Since the Company’s fiscal year ends in December, we believe that our General Meeting of Shareholders do not fall on a common peak day.
Exercise of voting rights via electronic means	Since the Annual General Meeting of Shareholders held in March 2020, exercise of voting rights has been available by accessing the voting rights exercise site designated by the Company using a PC, smartphone or mobile phone.
Participation in a Platform for Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	The Company has introduced a platform for electronic exercise of voting rights, and has been using electronic exercise system since the Annual General Meeting of Shareholders in March 2020. We also post the Notice of General Meeting of Shareholders on our website to make information readily available.
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	We prepared the English version (summary) of notice of General Meeting of Shareholders and posted it on our IR webpage.

2. IR Activities Updated

	Supplementary Explanations	Explanation in person by the representative
Formulation and publication of disclosure policy	We have formulated and posted our disclosure policy on our website.	
Regular briefing for individual investors	We held a briefing for individual investors on December 4, 2021.	None
Regular briefing for analysts and institutional investors	In FY2021, we held an earnings presentation every quarter. We plan to hold these briefings in FY2022.	Established
Posting of IR materials on website	Materials are posted on our website.	
Establishment of a department (appointment of personnel) regarding IR	Corporate Management Department is in charge of IR.	
Other	- Individual meetings with domestic and overseas institutional investors: held every quarter using web conferencing system - The Representative Director and President and other members of the Company's top management hosted an online meeting inviting sell-side analysts.	

3. Status of Measures to Ensure Due Respect for Shareholders

	Supplementary Explanations
Establishment of internal rules stipulating respect for the position of stakeholders	The Company is aware of the social responsibility of a corporation, has established corporate philosophy and the Code of Conduct, and is ensuring that all of the Group's staff and management are committed to carrying out business activities with a high level of corporate ethics, not to mention in compliance with the laws.
Implementation of environmental preservation activities, CSR activities, etc.	The Company has established the Rules on Environmental Management and is carrying out environmental management activities on a Group-wide basis. In addition to the thorough implementation of environmental management at the headquarters and overseas subsidiaries, the Risk Management Committee conducts a status check of environmental management once every three months.
Formulation of policies, etc. on the information provision to stakeholders	The Company believes that timely and accurate disclosure of information to all stakeholders is the duty of a listed company. To fulfill this duty, the Company will make efforts to enrich the content of its website, etc., and disclose corporate information such as news releases and IR information with speed and accuracy.

IV. Matters Related to Internal Control System

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

The Company has in place rules and manuals related to internal control, and are working to ensure that operational rules are taught and thoroughly understood by all. In addition, the corporate auditors and the Internal Audit Department are continuously monitoring the status of operation. Thus, the Company is well equipped to develop an effective internal control system. Details of the internal control system are stated below.

(1) Systems to ensure that the execution of duties of directors and employees complies with laws and regulations and the Articles of Incorporation

The Company shall set the Rules on Compliance to establish a system for compliance, and follow these rules to promote compliant business management.

Compliance Committee shall be established to raise awareness of compliance across the Group, identify the laws and regulations applicable to the Company's business, develop an infrastructure for compliance with statutory requirements, and conduct training and enlightening activities, as necessary.

An internal reporting system covering the entire Group shall be established to secure compliance business management. If a serious event occurs at the Company or its subsidiary, etc., that threatens the securing of compliance business management, the Compliance Committee shall promptly discuss and put into practice measures to cope with such event.

With regard to internal control over financial reporting, internal responsibility structure shall be clarified in order to secure the reliability of financial reporting. Corporate auditors shall check the directors' execution of duties, including on the status of development and operation of internal control system, from an independent viewpoint.

Internal audit section shall conduct audit of the evaluation of internal controls and the appropriateness and effectiveness of business operation. Rules, etc. regarding measures against antisocial forces shall be established to create a system to block any relationship with antisocial forces and to reject unreasonable requests.

(2) Systems regarding retention and management of information in relation to the execution of duties of directors

Information on the Board of Directors' decision-making and on important matters approved by the Representative Director shall be stored and managed in an appropriate condition suited to the storage medium, in accordance with laws, regulations, the Articles of Incorporation and internal rules, and shall be kept in a condition that allows access to it, as necessary.

(3) Rules and other systems related to management of the risk of loss

To establish a sound foundation for corporate management and to secure a stable income, Risk Management Policy defining basic views and action guidelines shall be laid down as the supreme policy for risk management, based on which definition of risks and the supervising section shall be determined.

The Risk Management Committee, whose Committee Chair is the Representative Director and President, shall develop the Risk Management Policy and promote risk management activities according to the Rules on Risk Management and in a smooth and appropriate manner.

If a risk becomes notable, or is feared to become notable, an emergency response headquarters shall be established according to the Response Manual for Disasters and Other Emergency Situations and prompt response shall be made.

Corporate auditors and internal audit section shall conduct audits of the effectiveness of integrated risk management readiness.

(4) Systems to ensure that the execution of the duties of the directors are performed efficiently

The "Board of Directors" makes decision on the overall management, while the "Executive Committee" decides on matters related to the day to day execution of business. The "Board of Directors" checks the operations of the "Executive Committee" to ensure from the management point of view that the day to day execution of business of the executive officers are appropriately conducted.

The "Rules of the Board of Directors" and the "Rules of the Executive Committee" are established to define each body's operations and matters to be brought for discussion, among others.

Medium-term Business Plan is decided after discussion at the Executive Committee and the Board of Directors, and business strategies and various measures are carried out in accordance with the plans.

To clearly define the internal chain of command and establish the system of responsibility, various rules regarding the division of roles and responsibilities and the scope of approval authorities have been set.

(5) Systems to ensure proper business activities in a business group comprised of the Company and the subsidiary companies

According to the Guideline for the Operations of Subsidiaries based on the Rules on the Administration of Subsidiaries established by the Company, the Company requests its subsidiaries to submit relevant documents, as necessary, in order to accurately grasp the affairs of business of the subsidiaries.

The Company has established the Rules on Risk Management, which lay down rules regarding risk management of the Group as a whole. Under the rules, the Company requires that subsidiaries perform risk management, while it manages the overall risk of the Group.

Operations Report Meetings are held every month to facilitate cooperation, coordination, and exchange of information within the Group consisting of the Company and its subsidiaries, and to monitor the status of execution of duties of the senior management.

The Company's corporate auditors and internal audit section examines the appropriateness of subsidiaries' business.

(6) Systems to ensure the reliability of financial reporting

With regard to the Group's system to ensure the internal control regarding financial reporting, evaluation, maintenance and improvement shall be conducted according to the Financial Instruments and Exchange Act and other applicable domestic and international laws and regulations.

The Company's departments and subsidiaries shall take measures in their performance of business to separate duties to avoid wrongdoing, conduct monitoring on a daily basis, and thereby strive to secure the accuracy of financial reporting.

(7) If a corporate auditor of the Company has requested that an employee be appointed to assist with the duties of the corporate auditor, particulars related to such employee

If the Board of Corporate Auditors requested that an employee be appointed to assist with its duties, the Company shall appoint such employee.

The number of the employees, selection of suitable person, etc. shall be discussed, taking into full consideration the opinion of corporate auditors.

(8) Particulars regarding independence of the employee of the preceding item from the directors

The employee appointed to assist with the duties of the corporate auditors shall obey, exclusively, the directions and orders of corporate auditors.

The employee appointed to assist with the duties of the corporate auditors shall not belong concurrently to other divisions.

(9) Particulars related to ensuring the effectiveness of instructions given to an employee appointed to assist in the duties of the corporate auditor

The Company ensures that all officers and employees are fully informed that the employee appointed to assist in the duties of the corporate auditors shall obey the directions and orders of corporate auditors.

(10) Systems for the directors and employees of the Company and its subsidiaries to report to the corporate auditor, and other systems related to reporting to the Company's corporate auditor

Systems for the directors and employees of the Company and its subsidiaries to report to the corporate auditor

Directors and executive officers shall report the status of their execution of duties to the corporate auditors at major meetings such as those of the Board of Directors, as necessary, and without delay.

Directors, executive officers, and employees shall, when requested by corporate auditors to report on business or when corporate auditors examines the Group's business and state of finance, respond in a prompt and appropriate manner.

Directors shall, upon finding any fact that has caused, or may cause, significant damage to the Company, report to the corporate auditor immediately.

(11) Systems for ensuring that persons who make a report to the corporate auditors are not treated disadvantageously due to making the report. The Company prohibits any disadvantageous treatment of officers or employees who make a report to the corporate auditors for the reason of their having made the report, and ensures that all officers and employees of the Group are fully informed to that effect.

(12) Particulars related to policies concerning the procedure for advance payment or reimbursement of expenses that arise with regard to execution of duties of the corporate auditors or any other processing of expenses or obligations that arise with regard to execution of the duties. When corporate auditors make a claim to the Company for advance payment, etc., of expenses for their execution of duties, the section in charge shall deliberate such claim and promptly make payment, save to the extent that such claimed expenses or debt are proven to have been not necessary for the execution of duties of the corporate auditor.

(13) Other systems to ensure that audits by the corporate auditors are performed effectively

When appointing outside corporate auditors, the independence of candidates shall be considered in addition to their specialist knowledge, in order to improve the audit function of corporate auditors. Corporate auditors shall hold meetings with the Representative Director, accounting auditors, internal audit section, etc., as necessary, in order to conduct audit and develop a system for auditing of the execution of duties of directors.

Corporate auditors shall exchange information and opinion and cooperate closely with accounting auditors, internal audit section, etc.

(14) Status of the development of risk management systems

The Company has a risk management system in which the Risk Management Committee monitors the risk management system of each section and provide advice and suggestions such as measures for improvement, in accordance with the Rules on Risk Management. The Company has a system in which the Compliance Committee promotes thorough practice of compliance at each section, in accordance with the Rules on Compliance.

2. Basic Views on Measures to Exclude Antisocial Forces and Status of Development of the Measures

The Group, its special interest parties, business partners, or other parties have no relationship whatsoever with antisocial forces.

In view of the Act on Prevention of Illegal Acts by Organized Crime Group Members (Act No. 77 of 1991) and ordinances for eliminating organized crime groups enforced by the prefectural governments, the Company has built an organizational system to exclude any relationship with antisocial forces in accordance with the Rules on the Exclusion of Antisocial Forces.

We have designated administrative departments as the sections in charge of work concerning antisocial forces, and established Manual for the Exclusion of Antisocial Forces in addition to the rules.

Moreover, in order to avoid having any relationship or transactions with antisocial forces, we check about our shareholders, officers, employees, or business partners, using newspaper archive search, internet search, interview and other research methods, to confirm the nature of their business, the state of transactions with them, circumstances or situation in which the transactions commenced, the need of the Group for such transaction, the fairness and reasonableness of transaction prices. At the same time, when making payment for a business transaction, we pay attention to ensure that the payee is not a part of antisocial forces.

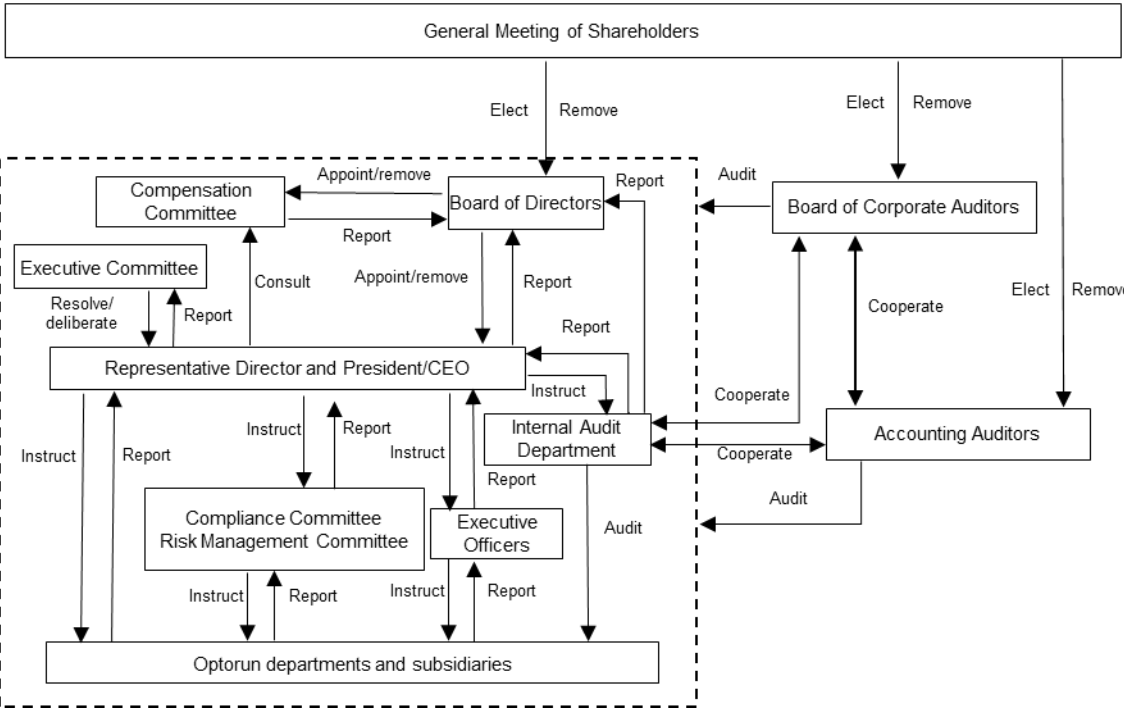
V. Other

1. Adoption of Anti-takeover Measures

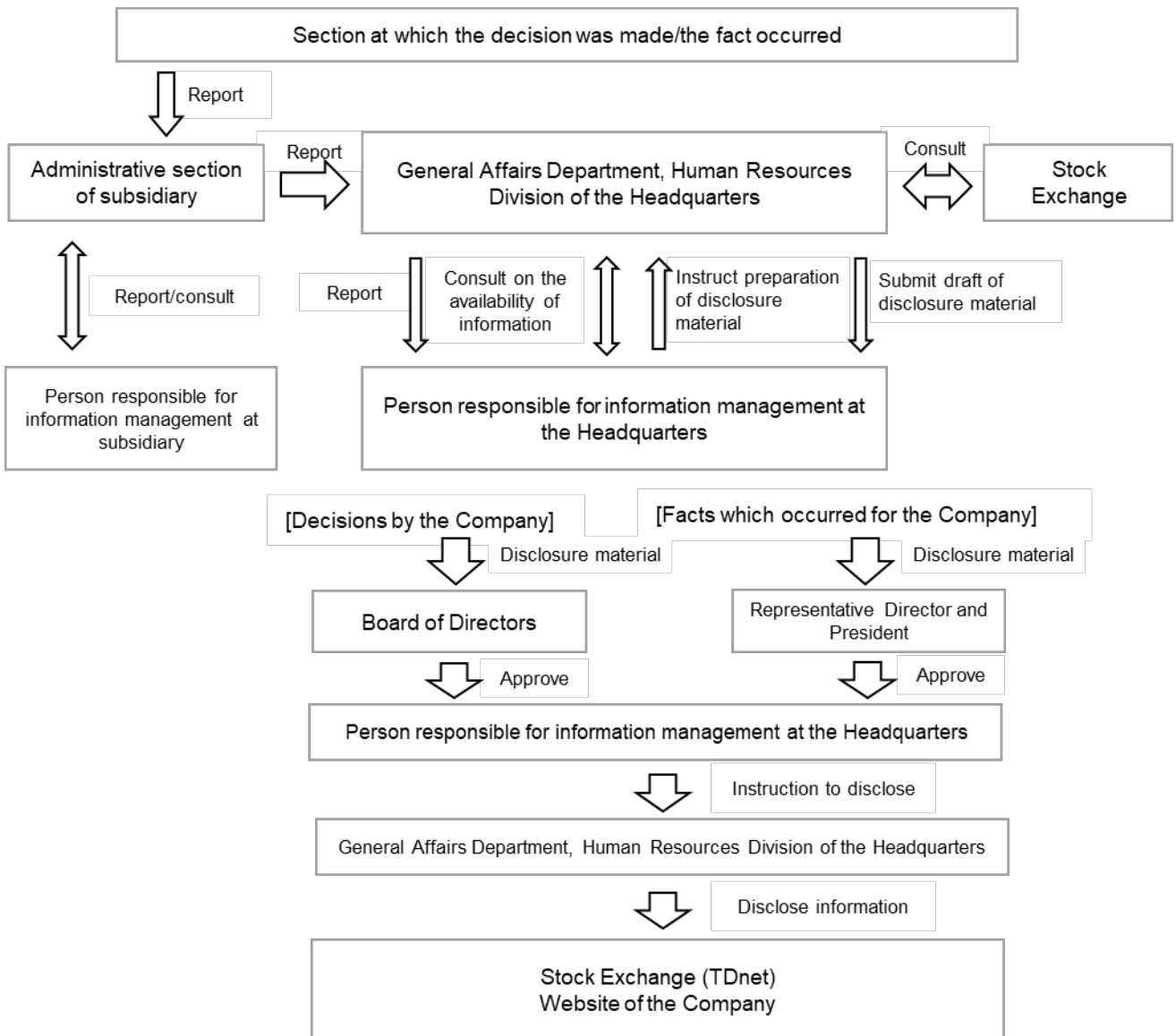
Adoption of Anti-takeover Measures	None
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Supplementary Explanations on Applicable Items

2. Other Matters Concerning Corporate Governance System



[Process for the Timely Disclosure of Information Concerning Decisions by or Facts which Occurred for the Company]



[Process for the Timely Disclosure of Information Concerning Financial Results]

