

Please note that the following is an unofficial English translation of the Japanese original text of the Corporate Governance Report of IR Japan Holdings, Ltd., which has been reported to the Tokyo Stock Exchange. IR Japan Holdings, Ltd. provides this translation for reference and convenience purposes only and without any warranty as to its accuracy or otherwise. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

Last Update Date:	June 27, 2018
Company:	IR Japan Holdings, Ltd.
Representative:	Shirou Terashita Representative Director, President and Chief Executive Officer
Inquiries:	Corporate Planning Section +81-3-3519-6720
Securities Code:	6035

The corporate governance of IR Japan Holdings, Ltd. (the “Company”) is described below.

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

### **1. Basic Views**

Under the motto of “Reliability, Confidence, Optimism,” the Group considers it its corporate mission “to contribute to enhancement of fair capital competitiveness of the clients (the publicly-traded companies, investors and market participants) and the growth of the global economy.”

To this end, the Group seeks to improve its corporate value by emphasizing the establishment of good relationships with all stakeholders including shareholders, employees and business partners. To achieve that, the Group believes it is essential to reinforce and enhance its corporate governance, and is making sincere efforts to establish an optimal management and administrative structure to ensure sound, efficient and transparent management.

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

[Supplementary Principle 4.1.2 Commitment to the Mid-term Business Plan]

While the Company’s Board of Directors determines the direction of management strategies and individual business plans appropriately and in a timely manner based on the constructive discussions with the outside directors, the business environment surrounding the Company changes drastically, and flexible revisions to the plans are needed in accordance with customer needs. Therefore, the Company does not formulate the mid-term business plan, due to its nature of setting numerical targets.

The Company finds it important to promptly respond to changes in the business environment, clients’ needs, and competitive situation, and determine priority measures for each fiscal year, as well as set and achieve annual performance goals, and believes that ongoing implementation of such initiatives would lead to the increase of the Company’s corporate value over the medium to long term and sustained growth.

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

[Principle 1.4 Cross-Shareholdings]

As a general rule, the Company does not hold shares of other listed companies as cross-shareholdings. However, the Company may acquire and hold such shares, if the holding is expected to significantly contribute to improvement of its business performance. Such shares are disposed by setting a certain holding period and in consideration of the impact of the transaction on the Company’s business.

In terms of the standards of the voting rights as to their cross-shareholdings, the Company may vote against proposals for the election of representatives and officers in charge, if it cannot observe reasonable improvement due to serious misconduct.

## CORPORATE GOVERNANCE

### [Principle 1.7 Related Party Transactions]

To avoid conflicts of interest with the Company and the common interests of the shareholders, the Company has stipulated related party transactions between the Company and its directors as a matter to be resolved by the Board in its Board of Directors Regulations, in accordance with the provisions of laws, regulations and the Articles of Incorporation.

### [Principle 3.1 Full Disclosure]

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

- Corporate motto: Reliability, Confidence, Optimism
- Corporate mission: To contribute to enhancement of fair capital competitiveness of the clients (the publicly-traded companies, investors and market participants) and the growth of the global economy.
- Code of conduct: A group that contributes to the development of a fair capital market; a group that is constantly engaged in competition; and a group that values “courtesy (consideration)” utmost in the global capital market

The Company prescribes guidelines on daily business operations in order to put the corporate mission and code of conduct into practice. Details are posted on its website (<http://www.irjapan.jp/en/group/philosophy.html>).

(ii) Basic view and policy on corporate governance based on each of the principles of the Code

The Group believes that the reinforcement and improvement of corporate governance is essential to enhancement of its corporate value, and endeavors to establish an optimal management and administrative structure to ensure sound, efficient and transparent management.

(iii) Board policies and procedures in determining compensation of the senior management and directors

The Company has formulated policies and procedures for determination of compensation of directors on the Board of Directors. Details are stated in “Disclosure of policy on determining compensation amounts and calculation methods” of this Report.

(iv) Board policies and procedures in electing the senior management and nominating director candidates

The Company has formulated the following policies and procedures in the election/dismissal of directors and the nomination of director candidates.

#### <Policy>

The policy of standards for proposing the election/dismissal of directors is as follows.

(1) Election Standards

In proposing the election of directors, each candidate for both internal and outside directors shall meet all the standards prescribed below.

(Internal directors)

1. Must have superior character and insight and comply with the Group’s corporate mission;
2. Must fully understand the Group’s history, corporate culture and attributes of the employees and have abundant experience and expertise in the Group’s business;
3. Must be capable of continuously improving the Group’s corporate value with an understanding of its business environment, competitive trends, management philosophy, etc., as well as proposing and executing specific management strategies and implementation plans that will contribute to the significant increase in its corporate value in the medium to long term;
4. Must make ongoing efforts to constantly examine and improve the Group’s management strategies and implementation plans; and

## CORPORATE GOVERNANCE

5. Must be sensitive to market changes regarding the industry to which the Group belongs and to its value offered, and capable of constructive discussions on the direction which the Group is to take.

(Outside directors)

1. Must have superior character and insight and comply with the Group's corporate charter;
2. Must have a high level of expertise and abundant experience in any of the fields of corporate management, finance and accounting, taxation, law or other specialized field;
3. Must fully understand attributes of the Group (promptness, flexibility and effectiveness), welcome proposals made by executive directors towards the sustained improvement of its corporate value, fulfill supervisory functions at the Board of Directors based on appropriate risk management, and be expected to contribute to constructive deliberations that will significantly increase its corporate value; and
4. Regarding independent outside directors, the Independence Standards, prescribed by the Group, must be met.

(2) Dismissal Standards

A proposal for dismissal shall be made if a director falls under any of the standards prescribed below.

1. If a director is found to be in a socially reprehensible relationship with anti-social forces;
2. If a director violates laws, regulations, the Articles of Incorporation or any other Group Regulations, and causes the Group to incur significant losses or hinders its business;
3. If a director significantly hinders the execution of duties; or
4. If a director is clearly found not to meet each requirement of the Election Standards.

<Procedures>

Election/dismissal procedures for a director are as follows.

1. All directors (excluding directors who are audit and supervisory committee members) are subject to election by resolution of the general meeting of shareholders each year.
2. All director candidates are determined by the Board of Directors upon fair, transparent and rigorous deliberations by the Nomination and Compensation Advisory Committee.

(v) Explanations with respect to individual elections and nominations

The reasons for election and nomination of internal directors and outside directors are posted in the convocation notice of the general meeting of shareholders.

[Supplementary Principle 4.1.1 Contents of Resolution at the Board of Directors]

The Company has prescribed important matters to be determined by resolution of the Board of Directors in the laws, regulations, Articles of Incorporation and Board of Directors Regulations. The Articles of Incorporation stipulate that decisions on the execution of important business may be delegated in whole or in part to a director by resolution of the Board of Directors. Furthermore, the standards for approval of other businesses and activity policies are stipulated in the Group Management and Strategy Meeting Regulations.

[Principle 4.8 Effective Use of Independent Directors]

The Company has designated three out of the six directors as independent outside directors.

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

In nominating outside directors, the Company ensures independence of the candidates and determines that they do not have the possibility of conflicts of interest with general shareholders by complying with the Companies Act and standards prescribed by the Tokyo Stock Exchange, as well as the Independence

## CORPORATE GOVERNANCE

Standards prescribed separately by the Company.

The Independence Standards set by the Company are stated in “Independent Directors” of this Report.

[Supplementary Principle 4.11.1 View on the Appropriate Balance, Diversity and Size of the Board of Directors]

The Board of Directors of the Company elects persons as directors who have experience and achievements in the Group, or in the same or similar industry; persons who have experience and achievements in companies of other industries, or persons who have various expertise and abundant experience in finance and accounting or other specialized fields.

The Company discloses the Election Standards of directors, prescribed separately. (See Principle 3.1)

Furthermore, considering the various factors including the current size of the Company, active discussions by the Board of Directors and the effective supervision of management expected as outside directors, the Company elects seven directors or less, including outside directors that compose one-third or more of the number of directors, in accordance with the Articles of Incorporation.

[Supplementary Principle 4.11.2 Status of Directors who also Serve as Officers of Other Listed Companies]

Each year the Company discloses information on important positions of directors and director candidates held at other companies in the convocation notice of the general meeting of shareholders and the securities reports.

[Supplementary Principle 4.11.3 Evaluation of Effectiveness of the Board of Directors]

During the period from December 2017 to January 2018, the Company conducted an evaluation of effectiveness of the Board of Directors by means of a questionnaire. To ensure the questionnaire’s anonymity, the Company requested a third-party organization to carry out the assessment and received an evaluation report based on the questionnaire from nine directors, including all five directors of the Company, and all seven directors of IR Japan, Inc., a wholly-owned subsidiary of the Company (including three directors who serve as directors for both companies), as of the time of this evaluation. Questions asked in the questionnaire and the evaluation results are as follows.

(Questions) A total of 26 questions were asked (including open-ended questions) regarding the following major categories.

1. Composition of the Board of Directors, etc.
2. Effectiveness of the Board of Directors
3. Effectiveness of the system of nomination and compensation of directors and senior management
4. Operation of the Board of Directors
5. Supporting and cooperation system for outside officers

(Evaluation results)

The Company received a report that there were improvements made in issues deliberated in the previous fiscal year, namely the mid-term business plan and ideal agendas of the Board of Directors’ meetings, and that it practiced management and operation emphasizing corporate governance and in full consideration of effective supervision of management by outside directors.

In addition, the report noted discussions on the mid-term business plan and deeper discussions on plans to nurture successors as future issues to deliberate.

Considering the above evaluation results, the Company will continue to make efforts in improving the corporate governance system to enhance the corporate value.

[Supplementary Principle 4.14.2 Training Policy for Directors]

CORPORATE GOVERNANCE

The Company has formulated the following training policy for directors.

The Company conducts workshops (including those by third-party organizations) from time to time on legal, accounting and taxation matters relating to its businesses for executive directors to fully demonstrate their functions of supervision and execution of management, and encourages the directors to understand their expected roles and responsibilities.

The Company provides various opportunities for outside directors to acquire an understanding of its businesses and necessary knowledge on a regular basis, including participation of seminars for clients held several times a year and workshops, etc.

For newly-elected directors, the Company utilizes its profile videos and uses other means to encourage prompt understanding of its history, environmental surrounding and business details.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

The Group focuses on building a strong relationship with all its stakeholders to improve the corporate value of the Group, and has formulated a policy of building a framework and initiatives to promote constructive dialogue with the shareholders.

(i) Electing a member of senior management or a director to oversee dialogue

The Representative Director, President and Chief Executive Officer oversees the department (Corporate Planning Section) which conducts dialogue with shareholders.

(ii) Measures to ensure cooperation among the internal departments to assist dialogue

Departments, led by the Corporate Planning Section, Accounting and Administrative Unit and Financial Unit, cooperate to assist dialogue.

(iii) Methods of having a constructive dialogue aside from individual meetings.

The Company holds results briefings for investors four times a year, in each quarter, where the Representative Director, President and Chief Executive Officer serves as the speaker.

(iv) Measures to provide feedback of shareholder views to the Board of Directors and others

The Company may provide feedback of important opinions, as necessary, to the Board and others.

(v) Measures to control insider information in having dialogue

The Company sets a silence period (from the day following the end of each fiscal period to the announcement of the financial results) in the disclosure policy, and thoroughly manages information by consulting and coordinating with the person responsible for information management.

2. Capital Structure

Percentage of foreign shareholders	Less than 10%
------------------------------------	---------------

[Status of Major Shareholders] Updated

Name / Company name	Number of shares owned (Shares)	Percentage (%)
Shirou Terashita	4,888,300	54.88
Japan Trustee Services Bank, Ltd. (Trust Account)	212,100	2.38
SBI SECURITIES Co., Ltd.	182,523	2.04
45 Corporation Co., Ltd.	176,000	1.97
Trust & Custody Services Bank, Ltd. (Pension Trust Account)	169,800	1.90
Keisuke Tomimatsu	131,700	1.47
STATE STREET BANK AND TRUST COMPANY	117,102	1.31
CACEIS BANK LUXEMBOURG	97,000	1.08

## CORPORATE GOVERNANCE

BRANCH/UCITS CLIENTS		
Tatsuo Terayama	95,600	1.07
The Master Trust Bank of Japan, Ltd. (Trust Account)	66,900	0.75

Controlling shareholder (except for parent company)	Shirou Terashita
Parent company	None

Supplementary explanation Updated

Major shareholders and controlling shareholder listed above are based on information available on March 31, 2018.

### 3. Corporate Profile

Listed stock market and market section	Second Section, Tokyo Stock Exchange
Fiscal year-end	March
Type of business	Services
Number of employees as of the end of the previous fiscal year (consolidated)	100 or more but less than 500
Net sales for the previous fiscal year (consolidated)	Less than ¥10 billion
Number of consolidated subsidiaries as of the end of the previous fiscal year	Less than 10

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

Shirou Terashita, Representative Director, President and Chief Executive Officer of the Company, is a shareholder holding 54.92% of the total voting rights of the Company (as of March 31, 2018) and is therefore regarded as a controlling shareholder as stipulated in the Securities Listing Regulations. To protect minority shareholders, the Company conducts transactions with a controlling shareholder under almost the same terms and conditions as those for transactions with business partners unrelated to the Company. With regard to important transactions, the Company discusses the adequacy of the content and the terms and conditions at Board of Directors' meetings to determine the execution of the transactions, thereby preventing disadvantages to minority shareholders. The Company also engages independent outside directors who have no conflicts of interest with general shareholders.

### 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 in Management

### 1. Organizational Structure and Operation

Structure of organization	Company with an Audit and Supervisory Committee
---------------------------	---

#### [Directors]

Number of directors stipulated in the Articles of Incorporation	7
Term of office of directors stipulated in the Articles of Incorporation	1 year
Chairperson of the Board	President and chief executive officer
Number of directors <input type="text" value="Updated"/>	6
Election of outside directors	Elected
Number of outside directors <input type="text" value="Updated"/>	3
Number of outside directors designated as independent directors <input type="text" value="Updated"/>	3

#### Outside directors' relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Nobuyoshi Yamori	Academic											
Kazufumi Onishi	From other company											
Takanobu Yasunaga	Other											

\* Categories for "Relationship with the Company"

\* "○" appears when the director currently falls or has recently fallen under the category and "△" appears when the director fell under the category in the past

\* "●" appears when a close relative of the director currently falls or has recently fallen under the category and "▲" appears when a close relative of the director fell under the category in the past

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



Outside directors' relationship with the Company (2) Updated

Name	Designation as audit and supervisory committee member	Designation as independent director	Supplementary explanation of the relationship	Reasons for election
Nobuyoshi Yamori	○	○	—	<p>Mr. Yamori is a specialist in finance and corporate governance and so forth. Therefore, the Company has elected Mr. Yamori as it expects him to provide advice on management of the Company from a neutral perspective as well as to provide unbiased audit and supervision of the management.</p> <p>[Reasons for designation of independent officer] The Company recognizes that no attributes associated with this independent officer fall into the criteria specified by the Stock Exchange and there are no potential conflicts of interest with general shareholders.</p>
Kazufumi Onishi	○	○	—	<p>Mr. Onishi is well-versed in the Group's business through his experience as outside director and audit and supervisory committee member of IR Japan, Inc., a subsidiary of the Company. In addition, he has excellent character and insight, and an extensive track record as a corporate manager of other companies and senior management. Therefore, the Company has elected Mr. Onishi, as it has determined that he is well-suited to provide a broad range of advice and recommendations on business operations in general.</p> <p>[Reasons for designation of independent officer] The Company recognizes that no attributes associated with this independent officer fall into the criteria specified by the Stock Exchange and there are no potential conflicts of interest with general shareholders.</p>



## CORPORATE GOVERNANCE

Name	Designation as audit and supervisory committee member	Designation as independent director	Supplementary explanation of the relationship	Reasons for election
Takanobu Yasunaga	○	○	—	<p>Mr. Yasunaga has excellent character and insight and a high level of ethics, as well as extensive experience and insight such as playing a leading role in the energy field in administration and the corporate governance field. Therefore, the Company has elected Mr. Yasunaga, as it has determined that he is well-suited to rigorously monitor and supervise the Company's management as well as to provide a broad range of advice and recommendations regarding important managerial judgment and decision-making of anticipated risks, etc.</p> <p>[Reasons for designation of independent officer] The Company recognizes that no attributes associated with this independent officer fall into the criteria specified by the Stock Exchange and there are no potential conflicts of interest with general shareholders.</p>

## CORPORATE GOVERNANCE

## [Audit and Supervisory Committee]

Committee's composition and attributes of chairperson	Updated
---	---------

	All committee members	Full-time members	Directors	Outside directors	Chairperson
Audit and Supervisory Committee	3	0	0	3	Outside director

Appointment of directors and/or staff to support the Audit and Supervisory Committee	Appointed
--	-----------

Matters related to the independence of such directors and/or staff from executive directors
---

The Company has appointed one (1) staff member in the Accounting and Administrative Unit to concurrently serve as an assistant to support the duties of the Audit and Supervisory Committee.

To ensure the independence of such employee, executives report in advance to the audit and supervisory committee regarding the transfers, personnel evaluations and disciplinary actions of such employee, and obtain the approval of the audit and supervisory committee.

Cooperation among audit and supervisory committee, accounting auditor and the internal audit division	Updated
---	---------

Audit and Supervisory Committee members, Accounting Auditor and Internal Audit Division staff have a meeting, as necessary, to report and exchange opinions concerning the status of internal controls and auditing.

## [Voluntary Establishment of Nomination and/or Compensation Committee(s)]

Voluntary establishment of committee(s) corresponding to nomination committee and/or compensation committee	Established
---	-------------

Committee's name, composition, and attributes of chairperson
--

	Committee corresponding to nomination committee	Committee corresponding to compensation committee
Committee's name	Nomination and Compensation Advisory Committee	Nomination and Compensation Advisory Committee
All committee members	3	3
Full-time members	1	1
Directors	1	1
Outside directors	2	2
Outside experts	0	0
Other	0	0
Chairperson	Outside director	Outside director

Supplementary explanation

The Company has established the Nomination and Compensation Advisory Committee, which is chaired by an outside director, to serve as an advisory body for the Board of Directors. Through this establishment, the Company ensures fairness and objectivity by consulting with the Nomination and Compensation Advisory Committee on the nomination of and compensation for directors.

[Independent Directors]

Number of independent directors	Updated	3
---------------------------------	---------	---

Matters relating to independent directors

<Independence Standards for Outside Directors>

The Company has prescribed the following Independence Standards for Outside Directors. An outside director or a candidate is deemed to be independent if he or she does not fall under any of the following items.

1. A person who has served at the Company or a subsidiary of the Company (hereinafter collectively referred to as “the Group”)
2. A major shareholder of the Company, or an executive of said shareholder, if the shareholder is a legal entity (Note 1)
3. An executive of a company of which the Group holds 10% or more of shares on a voting rights basis
4. An executive of a major client of the Group (Note 2)
5. An executive of a major lender of the Group (Note 3)
6. A person who has work experience at an audit firm serving as the accounting auditor of the Group
7. A consultant, accountant, legal professional, tax accountant, etc. who receives a large amount of monetary consideration or other property from the Group (Note 4)
8. A person who receives a large amount of donation or subsidies from the Group (Note 5)
9. An executive of a company which accepts a director from the Group
10. A person who falls under any of items 2 through 8 above in the past five years
11. A close relative or other of a person who falls under any of items 1 through 10 above.

Note 1: A major shareholder refers to a shareholder who holds either directly or indirectly 10% or more of the shares on a voting rights basis, as of the end of the fiscal year of the Company.

Note 2: A major client refers to a client to whom the Group offers services and whose transaction amount with the Group in the previous fiscal year exceeds 3% of the total consolidated net sales of the Group.

Note 3: A major lender refers to a financial institution from which the Group has obtained loans and whose annual average balance in the previous fiscal year exceeds 3% of the consolidated total assets of the Company.

Note 4: A large amount of monetary consideration or other property refers to money or other financial benefits that exceed ¥10 million per year other than director compensation in the previous fiscal year. If the party that receives such property is an organization such as a legal entity or an association, then it refers to a person who belongs to such organization.

CORPORATE GOVERNANCE

Note 5: A large amount refers to an amount that exceeds ¥10 million per year. If the party receiving the donation or subsidies is an organization such as a legal entity, then it refers to an executive who belongs to such organization.

[Incentives]

Incentive policies for directors	Performance-based compensation
----------------------------------	--------------------------------

Supplementary explanation
---------------------------

In an effort to raise more awareness of business management focused on shareholders along with the enhancement of the function of corporate governance, the Company has established a director compensation scheme with a view to increasing directors' incentive to contribute to higher-level business results and sustainable corporate value. Specifically, the compensation package of the Company's directors (excluding directors who are audit and supervisory committee members) comprises 1. monthly compensation, 2. bonuses and 3. stock compensation. Details are stated in "Disclosure of policy on determining compensation amounts and calculation methods" of this Report.

Recipients of stock options	
-----------------------------	--

Supplementary explanation
---------------------------

[Compensation for Directors]

Disclosure of individual directors' compensation	Selected Directors
--	--------------------

Supplementary explanation <u>Updated</u>
--

The Company disclosed the total amount by type of compensation paid to directors and directors who are audit and supervisory committee members in the Business Report for the fiscal year ended March 31, 2018. In addition to this, the Securities Report for the same fiscal year discloses compensation to individual directors who received total compensation of ¥100 million or more. The Business Report and Securities Report are posted on the Company's website.

Business Report in the notice of the Annual General Meeting of Shareholders:

[http://www.irjapan.jp/en/ir\\_info/stock/pdf/notice\\_of\\_annual\\_meeting2018\\_e.pdf](http://www.irjapan.jp/en/ir_info/stock/pdf/notice_of_annual_meeting2018_e.pdf)

Securities Report: [http://www.irjapan.jp/ir\\_info/library/pdf/financial\\_reports20180627.pdf](http://www.irjapan.jp/ir_info/library/pdf/financial_reports20180627.pdf)

Policy on determining compensation amounts and calculation methods	Established
--	-------------

Disclosure of policy on determining compensation amounts and calculation methods
--

<Policy>

[Directors (excluding directors who are audit and supervisory committee members)]

The compensation package of the Company's directors (excluding directors who are audit and supervisory committee members) comprises 1. monthly compensation, 2. bonuses and 3. stock compensation. Monthly compensation is consideration based on the responsibilities of management decision making and supervision and is seen as basic compensation. Bonuses are based on the consolidated operating income of the previous fiscal year, and determined upon comprehensively considering past payments and contributions by directors. The Company has adopted the restricted stock compensation system.

[Directors who are audit and supervisory committee members]

The compensation package of the Company's directors who are audit and supervisory committee members comprises exclusively basic compensation and does not include elements of performance-based or stock compensation.

<Procedures>

The amount of compensation for directors (excluding directors who are audit and supervisory committee members) and directors who are audit and supervisory committee members shall be determined by a resolution of the general meeting of shareholders. At the 1st Annual General Meeting of Shareholders on June 24, 2015, the shareholders approved the amount of compensation to be set at ¥150 million or less per year for directors (excluding salaries for their services as the Company's employees) and ¥50 million or less for directors who are audit and supervisory committee members (including ¥40 million or less per year for compensation of outside directors), in favor of the proposal to enable the Company to establish more flexible directors' compensation packages including payment of directors' bonuses commensurate with the level of performance achievements. In addition to monthly compensation, the Company flexibly pays directors' bonuses commensurate with the level of performance achievements, within the amount approved by the general meeting of shareholders. The allocation of compensation to directors (excluding directors who are audit and supervisory committee members) is determined upon advice received on consultation with the Nomination and Compensation Advisory Committee, while the allocation method of compensation to directors who are audit and supervisory committee members is determined by the Audit and Supervisory Committee.

At the 4th Annual General Meeting of Shareholders held on June 26, 2017, a resolution was passed to introduce a new restricted stock compensation system. This aims for providing incentives to directors (excluding directors who are audit and supervisory committee members) to enhance the Group's corporate value and further promoting the sharing of value with the shareholders. The total amount of monetary compensation receivables to be paid as compensation associated with the restricted stock has been set, separately from the existing compensation package mentioned above, at ¥50 million or less per year (excluding salaries for their services as the Company's employees). While assumption of office as director for a given period is the only requirement for cancellation of the transfer restriction, the amount of the monetary compensation receivables to be paid will be determined by comprehensively considering the target achievement levels and contributions of the eligible directors in the previous fiscal year, and proportion of "cash compensation: stock compensation" and "fixed compensation: variable compensation" as well as the advice received on consultation with the Nomination and Compensation Advisory Committee each fiscal year.

**[Supporting System for Outside Directors]**

The Company does not have a full-time position dedicated to assisting outside directors (including directors who are audit and supervisory committee members). However, staff members in the Accounting and Administrative Unit or Financial Unit report agendas and their details to outside directors prior to the Board of Directors' meetings.

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

Pursuant to the Companies Act, the Company has established the general meeting of shareholders, the Board of Directors and the Audit and Supervisory Committee, along with the Group Management and Strategy Meeting and the Group's Internal Audit Office, and has elected directors, audit and supervisory committee members and accounting auditor, with the aim of determining action policies of the Group company. In the nomination of directors, the Company employs highly independent outside directors. Recognizing that we can ensure sound, efficient and transparent management through the oversight functions of the outside officers and mutual collaboration among the aforementioned organs, the Company continues to operate under its current corporate management structure.

**Board of Directors**

The Board of Directors of the Company consists of six (6) directors (including three [3] outside directors) and is authorized to determine the Company's business execution and supervise the directors' execution of

## CORPORATE GOVERNANCE

duties. The Company attaches importance to the presence of outside directors to enhance the mutual supervisory function between directors. Meanwhile, the Company has a policy to convene a Board of Directors' meeting at least once every month. During the fiscal year ended March 31, 2018, a total of eighteen (18) Board of Directors' meetings was held, and attendance of outside directors stood at 100.0%.

### Audit and Supervisory Committee

The Company has adopted the framework of the Audit and Supervisory Committee and the Committee comprises three (3) directors who are audit and supervisory committee members (of whom three [3] are outside directors). With the use of the internal control system, the audit and supervisory committee members have conducted an audit of the execution of duties of directors, as well as other general execution of duties relating to the Group's business management.

### Group Management and Strategy Meeting

The Company convenes the Group Management and Strategy Meeting as necessary attended by directors. The Meeting also calls on, as necessary, the Company's employees, Group company officers and employees and external intellectuals, and has discussions about groupwide strategies and other issues.

### Group's Internal Audit Office

The Company has established a Group's Internal Audit Office directly supervised by the president and chief executive officer, and a Group's internal audit is conducted by the manager and deputy manager of the Group's Internal Audit Office (two [2] persons dedicated to this duty). As a general rule, the Group's Internal Audit Office conducts an audit of the Company and Group company once every year with a view to business efficiency, regulations, a mutual supervisory function based on authority of management, and the growing importance of compliance. Audit results are promptly reported to the president and chief executive officer, while the results and issues to be improved are notified to the Company and Group company. With the aim of increasing audit effectiveness, their projected plans for remedial actions on those issues are required to be submitted to the unit chief of the Accounting and Administrative Unit, who is responsible for audit.

### Accounting Audit

The Company has concluded an auditing agreement with PricewaterhouseCoopers Aarata LLC.

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

The Company adopts the current corporate governance system because it is sufficient to achieve a sound, efficient and transparent management through the oversight functions of outside directors and Audit and Supervisory Committee stated in Paragraph 2 above and mutual collaboration among the organs mentioned therein.

**III Implementation of Measures for Shareholders and Other Stakeholders****1. Measures to Revitalize the General Meeting of Shareholders and Facilitate the Smooth Exercise of Voting Rights [Updated]**

	Supplementary explanation
Early notification of general meeting of shareholders	Send approximately three weeks before the general meeting of shareholders
Scheduling annual general meeting of shareholders to avoid the peak time	The Company holds the general meeting of shareholders at times other than peak dates when many companies hold their meetings. The 4th Annual General Meeting of Shareholders was held on June 26, 2018, two days before the peak date.
Allowing the electronic exercise of voting rights	The Company allows shareholders to exercise their voting right over the Internet, using personal computers, tablet PCs or smartphones.
Efforts to encourage participation in the Electronic Voting Platform and enhance other environments for the exercise of voting rights by institutional investors	The Company participates in the Electronic Voting Platform for Institutional Investors, and undertakes actions to encourage the exercise of voting rights of overseas and domestic institutional investors (substantial shareholders).  In addition, through the Engagement Platform operated by the Company's subsidiary, the notice of the general meeting of shareholders is provided to institutional investors on the date when the printed notice is sent.
Providing convocation notice in English	Prepare English-version notice of the general meeting of shareholders, which are posted on the Company's website.
Other	Post the notice of the general meeting of shareholders, business reports and the reference documents for the general meeting of shareholders, etc., on the Company's website.

**2. IR Activities**

	Supplementary explanation	Explanation by representative
Participation and publication of disclosure policy	The Company's disclosure policy is presented on its website. <a href="http://www.irjapan.jp/en/ir_info/release/policy.html">http://www.irjapan.jp/en/ir_info/release/policy.html</a>	
Regular investor briefings for analysts and institutional investors	Hold a results briefing in Tokyo after each quarterly release of financial results (first quarter, second quarter, third quarter and year-end). The Company will upload the materials for these meetings on its website.	Yes
Posting of IR materials on website	Prepare an IR site for shareholders and investors to post financial results, materials for results briefings, securities reports, notices of convocation of the general meeting of shareholders, notices of resolutions at the general meeting of shareholders, reports for shareholders and press releases, etc., on the Company's website.	
Establishment of department and/or appointment of manager in charge of IR	Designated persons in the Corporate Planning Section to be in charge of investor relations.	



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

	Supplementary explanation
Stipulation of internal rules for respecting the position of all stakeholders	The Company's disclosure policy is presented on its website. <a href="http://www.irjapan.jp/en/ir_info/release/policy.html">http://www.irjapan.jp/en/ir_info/release/policy.html</a>
Other	The Company engages not only in leading-edge IR activities but also in aggressive IR activities to help investors better understand the Company's corporate value. Specifically, we hold quarterly financial results briefings and IR explanatory meetings that disclose information on the Company's website in a well-organized manner. We also visit institutional investors to engage in one-on-one meetings, as well as release information pursuant to related laws and regulations in a timely and appropriate manner.

## **IV Matters Related to the Internal Control System**

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

The Company formulated the Basic Policy Concerning the Establishment of the Internal Control System at a Board of Directors' meeting. Pursuant to this Basic Policy, we reinforce and manage the structure to ensure the appropriateness of operations (internal control system).

The outline of the Company's internal control system is as follows.

#### **(1) System to ensure compliance of execution of duties by directors with laws, regulations and the Articles of Incorporation**

1. The Company has formulated the Board of Directors Regulations for the Board of Directors. Pursuant to the standards of the Regulations, the Company determines the execution of important operations.
2. At regular monthly meetings of the Board of Directors and extraordinary meetings of the Board of Directors that are held when necessary, each director (excluding directors who are audit and supervisory committee members) reports the status of business execution, while mutually monitoring and supervising the execution of duties of other directors (excluding directors who are audit and supervisory committee members).
3. Each director who is an audit and supervisory committee member audits the status of the execution of duties of directors (excluding directors who are audit and supervisory committee members) by attending meetings of the Board of Directors and expressing opinions when necessary.
4. As a basis of the Company's compliance structure, the Company has formulated and disseminated the Compliance Management Regulations of the Group to stipulate the codes of conduct that directors (excluding directors who are audit and supervisory committee members) and employees should practice.
5. The Company has established a Group Compliance Hotline System (internal reporting system) pursuant to the Compliance Management Regulations of the Group to prevent violations of laws and regulations, as well as the Articles of Incorporation. Furthermore, the Company allows reports to be made anonymously under this System and ensures that persons who have made such reports will not be treated disadvantageously.

#### **(2) System for the storage and management of information related to execution of duties by directors**

Based on the Document Management Regulations, the Company stores and manages the following documents (including electromagnetic records; the same applies hereafter) along with related documents, in appropriate ways that are easily accessible.

- Minutes of general meetings of shareholders
- Minutes of Board of Directors' meetings
- Minutes of Management Council meetings
- *Ringi* (draft plans circulated to obtain approval)
- Contracts
- Accounting books and financial statements
- Business reports
- Copies of documents submitted to authorities, including tax offices, government agencies and stock exchanges

#### **(3) Regulations concerning the management of the risk of loss and other relevant risk management system**

1. The Company recognizes and understands the following risks and has prepared an appropriate risk management structure.
  - Credit risk
  - Internal control risk
  - Legal violation risk
  - Information leak risk
  - Disasters and accidents
  - Other going-concern risks
2. The Company has formulated the Group Risk Management Regulations as a basis for the Company's risk control structure and designated a responsible person for each risk. Should an unexpected emergency occur,

## CORPORATE GOVERNANCE

the Company will strive to minimize the damage and risk by quickly responding with measures led by the president and chief executive officer as the chief risk officer.

- (4) **Systems to ensure efficient execution of duties by directors**
1. The Board of Directors delegates significant authority to the directors (excluding directors who are audit and supervisory committee members) for quick decision making in the management of the Company and accurate supervision of the other directors (excluding directors who are audit and supervisory committee members).
  2. In addition to the monthly Board of Directors' meetings, the Company holds extraordinary Board of Directors' meetings as needed for flexible decision making.
  3. For efficient execution of duties of directors, the Company has clarified the process of execution and where responsibilities lie in the *Ringi* Regulations, the Regulations for Dividing Roles and Responsibilities, and the Regulations for Dividing Duties and Authority.
  4. Directors (excluding directors who are audit and supervisory committee members) report on the status of their execution of duties to the Board of Directors in a consistent and timely manner.
- (5) **Systems to ensure compliance of execution of duties by employees with laws, regulations and the Articles of Incorporation**
1. The Company has formulated the Compliance Management Regulations of the Group as a basis for its compliance structure.
  2. The Company has established a Group Compliance Hotline System (internal reporting system) pursuant to the Compliance Management Regulations of the Group to prevent violations of laws and regulations, as well as the Articles of Incorporation, and address various consultations from employees.
  3. The Company has established the Group's Internal Audit Office, which is an internal audit division independent of business operations, based on the Internal Audit Regulations of the Group.
  4. The Company strives to enhance information security by reinforcing the basic policy for information security and the internal rules for information security.
- (6) **Systems to ensure the appropriateness of business operations in the corporate group comprising the Company and its subsidiary**
1. System for reporting matters relating to the execution of duties by directors of the subsidiary to the Company  
The Company has formulated the Group Company Management Regulations to specify procedures and management systems concerning the Group company. The Corporate Planning Section is responsible for the management of the Group company and ensures the appropriateness of business operations by granting prior approval of the Company's body for important matters of the Group company including the subsidiary and receiving reports.
  2. Regulations concerning the management of the risk of loss and other relevant risks management system of the subsidiary
    - (i) The subsidiary recognizes and understands the following risks and has prepared an appropriate risk management structure.
      - Credit risk
      - Internal control risk
      - Legal violation risk
      - Information leak risk
      - Disasters and accidents
      - Other going-concern risks
    - (ii) The subsidiary has formulated the Risk Management Regulations as a basis for its risk control structure and designated a responsible person for each risk. Should an unexpected emergency occur, the subsidiary will strive to minimize the damage and risk by quickly responding with measures led by the president and chief executive officer as the chief risk officer. Furthermore, the subsidiary has established the Group Management and Strategy Meeting, pursuant to the Group Management and Strategy Meeting Regulations of the Company, the parent, attended by directors (excluding directors who are audit and supervisory committee members) of each Group company, as a body to deliberate from various perspectives important matters that may affect the Group.
  3. System to ensure efficient execution of duties by directors of the subsidiary
    - (i) The Board of Directors of the subsidiary delegates significant authority to the directors (excluding

CORPORATE GOVERNANCE

- directors who are audit and supervisory committee members) for quick decision making within company management, and elects outside directors, who are independent from the Group, as audit and supervisory committee members to supervise and monitor other directors (excluding directors who are audit and supervisory committee members).
- (ii) In addition to the monthly Board of Directors' meetings, the subsidiary holds extraordinary Board of Directors' meetings as needed for flexible decision making.
  - (iii) For efficient execution of duties of the directors, the subsidiary has clarified the process of execution and where responsibilities lie in the *Ringi* Regulations, the Regulations for Dividing Roles and Responsibilities and the Regulations for Dividing Duties and Authority.
  - (iv) Directors of the subsidiary (excluding directors who are audit and supervisory committee members) report on the status of their execution of duties in a consistent and timely manner at the Board of Directors' meetings of the subsidiary that the directors who are audit and supervisory committee members of the Company, the parent, attend as observers.
4. System to ensure compliance of execution of duties by directors, etc. and employees of the subsidiary with laws, regulations and the Articles of Incorporation
- (i) The subsidiary has formulated the Compliance Management Regulations as a basis for its compliance structure.
  - (ii) The subsidiary has established a Compliance Hotline System (internal reporting system) pursuant to the Compliance Management Regulations, comparable to that of the Company, the parent, to prevent violations of laws and regulations, as well as the Articles of Incorporation, and address various consultations from employees. Furthermore, the subsidiary reports the fact that a report has been made and the contents of the report to the directors who are audit and supervisory committee members of the subsidiary, as well as to the directors who are audit and supervisory committee members of the Company, the parent.
  - (iii) The subsidiary has established an Internal Audit Office, which is an internal audit division independent of business operations, based on the Internal Audit Regulations, and strives to share information with the audit and supervisory committee, which comprises independent outside directors, etc.
  - (iv) The subsidiary strives to enhance information security by reinforcing the basic policy for information security and the internal rules for information security.
- (7) Matters concerning employees who support audit and supervisory committee members and independence of such employees from the directors (excluding directors who are audit and supervisory committee members), as well as matters related to ensuring the effectiveness of instructions given by the audit and supervisory committee members to directors (excluding directors who are audit and supervisory committee members) and employees**
- 1. Directors who are audit and supervisory committee members may utilize employees who support the execution of their duties (hereinafter referred to as "supporting employees"), pursuant to the Audit and Supervisory Committee Regulations.
  - 2. The Company ensures that when supporting employees assist the execution of duties of directors who are audit and supervisory committee members, they exclusively follow the instructions and orders given by such directors rather than the instructions and orders given by directors (excluding directors who are audit and supervisory committee members) or employees.
- (8) System to help directors (excluding directors who are audit and supervisory committee members) and employees report to the audit and supervisory committee, system to ensure that persons who have made such reports will not be treated disadvantageously and system to ensure effective audits by the audit and supervisory committee members**
- 1. Should directors (excluding directors who are audit and supervisory committee members) or employees discover a serious violation of laws and regulations or such other important fact related to compliance in the Group's operations, they must immediately report to the directors who are audit and supervisory committee members, as well as immediately convene the Compliance Committee and deal with the compliance violation, pursuant to the Compliance Management Regulations of the Group, to call for attention and prevent the recurrence of such an incident where appropriate.
  - 2. The Company has stipulated matters that directors (excluding directors who are audit and supervisory committee members) and employees must report to the directors who are audit and supervisory committee members and the time frame within which such reporting should be made in the Audit and Supervisory Committee Regulations, which also require directors (excluding directors who are audit and supervisory

## CORPORATE GOVERNANCE

committee members) and employees to report material matters that affects the Group's operations and performance every time they occur. It has also stipulated that the directors who are audit and supervisory committee members can demand directors (excluding directors who are audit and supervisory committee members) and employees to report anytime, as necessary.

3. Upon recognition of an issue in the Group's legal compliance structure, the directors who are audit and supervisory committee members shall express opinions at a Board of Directors' meeting and demand that improvement measures be formulated and taken.
4. Directors (excluding directors who are audit and supervisory committee members) and employees shall respond quickly and appropriately, when requested by the directors who are audit and supervisory committee members for a report on business operations, or when the directors who are audit and supervisory committee members investigate the business operations and property.
5. Directors (excluding directors who are audit and supervisory committee members) and employees may report directly to directors who are audit and supervisory committee members. The Company prohibits the unfair treatment of individuals for having made such reports in the internal rules and regulations.

**(9) Matters relating to advance payment or reimbursement of expenses incurred by audit and supervisory members in executing their duties (limited to those related to the execution of duties by the Audit and Supervisory Committee) and any other policy for processing the expenses or obligations incurred in the execution of such duties and systems to ensure effective audits by the audit and supervisory committee members**

1. If directors who are audit and supervisory committee members request the Company to carry out advance payment of expenses concerning the execution of their duties pursuant to Article 399-2, Paragraph 4, of the Companies Act, the Company shall promptly process such expenses or obligations, unless such expenses and obligations are deemed unnecessary for the directors who are audit and supervisory committee members to execute their duties.
2. If directors who are audit and supervisory committee members request the independent use of an external expert for the purpose of executing their duties, the Company shall bear the related expenses.

## 2. Basic Views on Eliminating Anti-social Forces

**(1) Basic views on eliminating anti-social forces**

The Group shuts out all anti-social forces and groups that pose a threat to civil society's order and safety, firmly refuses any demands from such groups and does not conduct any transactions with corporations, groups or individuals related to such groups. The Company as a whole maintains a steadfast attitude against anti-social forces in alliance with the police, external lawyers and other external professional organizations.

**(2) Status of reinforcement**

1. Current management departments to deal with anti-social forces and persons responsible for the prevention of inappropriate demands  
The Company aggregates all information relating to anti-social forces on the Accounting and Administrative Unit, which manages it in an integrated fashion.
2. Alliance with external professional organizations  
To combat anti-social forces, the Company is allied with external professional organizations including the police, corporate lawyers and The National Center for Removal of Criminal Organizations.
3. Collection and management of information relating to anti-social forces  
The Company regularly collects information concerning anti-social forces provided by external professional organizations at the Accounting and Administrative Unit, which manages the information and circulates it across the Company, ensuring every member is informed.

## V Other

### 1. Adoption of Anti-takeover Measures

Adoption of anti-takeover measures	Not adopted
Supplementary explanation	

### 2. Other Matters Concerning Corporate Governance System

#### [Overview of System for Timely Disclosure]

#### (1) Management stance, policy, etc.

Due in part to the fact that its subsidiary, IR Japan, Inc. principally engages in services to support listed companies' IR and SR activities, the Company recognizes that timely and appropriate disclosure of information is an essential management duty in pursuit of forging good relationships with all stakeholders. The Company considers it of paramount importance that it properly continues to retain a system for timely disclosure, so that its stakeholders, particularly the shareholders, can precisely and timely understand the actual state of the Company. For this reason, the Company believes that it should assign the highest priority to timely and appropriate disclosure of information, in accordance with relevant laws and regulations such as the Financial Instruments and Exchange Act and regulations for timely disclosure.

#### (2) Recognition and analysis of features and risks associated with the Company's timely disclosures

The Company is concerned that inappropriate disclosure of information may have a negative impact on investors and undermine its social evaluation. Therefore, the Accounting and Administrative Unit, the Corporate Planning Section and other relevant departments work closely to exchange information and check on information disclosure.

#### (3) Preparation of the organization in charge of disclosure

The actual operation relating to timely disclosure is conducted by the Corporate Planning Section. Following due discussions about the necessity for disclosure with the unit chief of the Accounting and Administrative Unit responsible for information management, and the completion of required procedures, the section chief of the Corporate Planning Section responsible for information handling discloses information.

The Company has prepared Corporate Information Management Regulations, Regulations for the Handling of Insider Information and Regulations for Preventing Insider Trading, requiring its officers and employees to comply with them. Together with this, the Company makes efforts to make known and raise awareness of knowledge of information management and disclosure by providing periodical training programs for every staff member of the Company.

#### (4) Preparation of timely disclosure procedures

Procedure and process of disclosure

Overviews of the Company's system for timely disclosure and procedures for disclosing information are presented in the attached document.

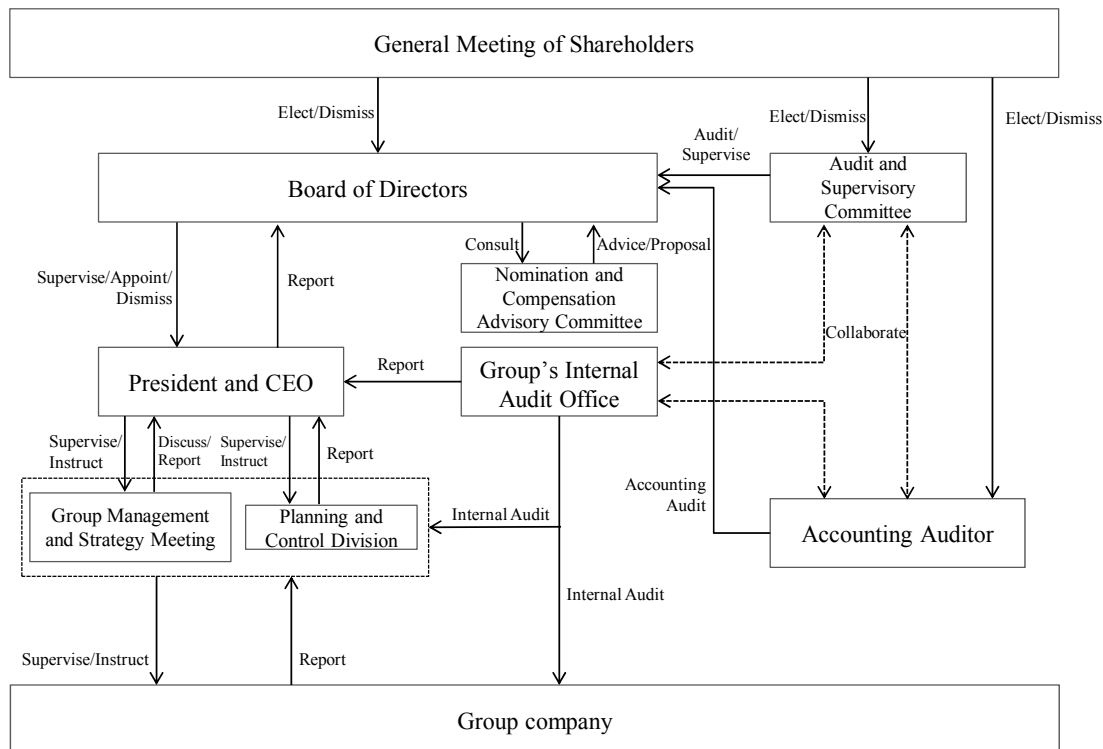
1. When officers and employees obtain important information about the Company or other potentially relevant information, they immediately report it to the unit chief of the Accounting and Administrative Unit responsible for managing information. The unit chief shall report the information to the section chief of the Corporate Planning Section that manages the actual operation relating to the disclosure of information.
2. To support the above action, the unit chief of the Accounting and Administrative Unit and the section chief of Corporate Planning Section attend the Group Management and Strategy Meetings and the Board of Directors' meetings to obtain important information about the Company.

## CORPORATE GOVERNANCE

3. The Group Management and Strategy Meetings are convened monthly, and are where the Company aggregates important information and others relating to the Group company.
  4. The person responsible for information management (the unit chief of the Accounting and Administrative Unit) and the section chief of the Corporate Planning Section collect comprehensive information on disclosure (important decisions, significant events, financial results and others), and disclose the information following the resolution of the disclosure by the Board of Directors, in accordance with the internal Regulations for the Dividing Duties and Authority. However, information in need of urgent disclosure, such as the occurrence of a significant event, will be announced upon the approval of the president and chief executive officer.
  5. Pursuant to the internal Regulations for Preventing Insider Trading, the Company strives to formulate stringent controls of important Company information and prevent insider trading.
- (5) **Preparation of monitoring of the system for timely disclosure**  
Audit and supervisory committee members, who are independent of the Company management, examine the appropriate executions of duties of directors (excluding directors who are audit and supervisory committee members) by attending the Board of Directors' meetings and the Group Management and Strategy Meetings and other meetings, as well as interviewing individual directors (excluding directors who are audit and supervisory committee members) when needed. Preparation and operational status of the system for timely disclosure is also monitored through these examinations.



[Chart of Corporate Governance Structure]



[Chart of System for Timely Disclosure]

