

## Corporate Governance Report

Last Update: December 21, 2018

en-japan inc.

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Securities Code: 4849

<https://corp.en-japan.com/en/>

The corporate governance of en-japan inc. (the “Company”) is described below.

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

#### **1. Basic Views**

At en-japan, our goal is to contribute to our shareholders, clients, many stakeholders, and society at large through our business. We have therefore positioned building an organization that can respond to changes in the management environment as an important policy for the group as a whole. We are therefore working to strengthen corporate governance and make it robust to enable healthy growth of our corporate group, and are working to create a fair management system.

We think that ensuring even stronger ethical values and integrity among our officers and employees is the basic premise upon which earning the true trust of our many stakeholders is built. One of the tenets of our corporate philosophy is to do what is right for society and social justice is a concept that clearly communicates that serving society is the reason for our existence.

We will continue to adhere to this philosophy and way of thinking as the fundamental basis for the actions of our officers and employees, and will work to build an even stronger system of internal management through thorough education on compliance and other means. We will ensure sound management by making sure that this system functions properly.

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

[Supplementary Principle 4.10.1]

To increase accountability by executive management and ensure even greater transparency, the Company appoints independent outside directors as two of the five directors. Decisions on appointment, dismissal, and compensation of directors and other important matters require approval at a Board of Directors meeting attended by the independent officers. Our company has not established discretionary committees, but we are confident that the independent officers appropriately contribute and provide advice on important matters at Board of Directors meetings.

[Supplementary Principle 4.11.3]

To ensure the effectiveness of Board of Directors meetings, the Company works to improve how the board functions. We do not currently analyze and evaluate its effectiveness, but will consider this in the future, including ways to effectively evaluate functioning.

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

### **[Principle 1.4]**

The Company does not hold the shares of listed companies, in principle. However, when we do hold the shares of a listed company based on the reasonable purpose of a business alliance or other business purpose, we periodically confirm that the reason for holding the shares is still valid. We sell the shares of companies that we have determined will no longer fulfill the purpose for which they are held over the medium to long-term, as the stock price and market trends permit.

In exercising voting rights on cross-shareholdings, we make a decision on each stock based on the perspective of whether it will lead to an increase in corporate value and shareholder return from a medium to long-term perspective. We exercise especial caution in regard to resolutions that could have an adverse effect on the corporate value of the company concerned.

### **[Principle 1.7]**

The Company has established Guidelines on Managing Transactions with Interested Parties to clarify the procedural flow for ascertaining the scope of transactions with interested parties and managing transactions appropriately. We ascertain the scope of transactions with interested parties via questionnaires that the General Affairs Division updates once a year. Any transaction with an interested party requires either approval by the Board of Directors in advance or approval based on the Rules on Ringi Proposals and Applications, depending on the importance. The Administrative office director determines the importance of transactions effected with interested parties based on ASBJ Guidance No. 13 Guidance on Accounting Standard for Related Party Disclosures, and a summary of those decisions is disclosed in the annual securities report.

### **[Principle 2.6]**

The Company does not have a corporate pension plan. This consequently poses no risk to the financial status of the Company.

Should we decide to consider introduction of a pension plan in the future, we will allocate human resources with sufficient skills to manage it.

### **[Principle 3.1]**

- i. Our corporate philosophy is Personal Development. This means to enhance your skills in the daily workplace where you are expected to produce results, and enrich yourself, not only mentally, but materially as well. In other words, our corporate philosophy means to enrich yourself both mentally and in terms of material wealth.
- ii. Our basic views on corporate governance are posted on our corporate website and in our Corporate Governance Report.
- iii. The compensation the Company pays to officers is within the scope of compensation approved by the General Meeting of Shareholders. It consists of fixed monthly wages (basic compensation). The Board of Directors determines the allocation to each director, and the Audit & Supervisory Board determines the allocation to each audit & supervisory board member through discussion. The Company has also decided to provide directors with share-based compensation by granting stock options in addition to basic compensation. This system is designed so that management shares the advantage of stock price

appreciation as well as the risk of stock price depreciation with shareholders, and we believe that such compensation will lead to medium to long-term growth in corporate value.

- iv. The Company nominates individuals for election as internal directors who not only possess extensive expertise in the areas they oversee, but have the skills to promote a highly efficient system of management that is capable of responding flexibly and aptly to changes in the management environment. The individuals we nominate for election as outside directors are capable of independent management oversight from an objective perspective, without being unduly influenced by management or special interests, and possess broad insight. The individuals we nominate for election as outside audit & supervisory board members understand and possess broad insight into the roles and responsibilities that the Company must fulfill for society, without being unduly influenced by management or special interests.

We consider dismissal of directors, including outside directors, when questions arise about a director's capabilities. Such instances include when a director is deemed to have failed to fulfill the duties of due care of a good manager and to have not acted in good faith, or is deemed to not be contributing to sustained profit growth and growth in corporate value. Engaging in fraud or violation of laws and regulations or other rules will result in the dismissal of a director.

When nominating candidates for director, the Board of Directors solicits the opinions of the outside directors and then considers the content proposed by the representative director and makes a decision. When nominating candidates for audit & supervisory board member, the Board of Directors first solicits the opinions of the outside directors and obtains consent from the Audit & Supervisory Board, then considers the content proposed by the representative director and makes a decision.

- v. The reasons for electing internal directors are as follows. Please note that the reasons for electing outside officers are disclosed in the annual securities report and in the Notice of the 18th Annual Meeting of Shareholders.

- Michikatsu Ochi, Chairman and Executive Officer

After establishing Nihon Brain Center, K.K. in 1983, Mr. Ochi launched en-japan in 2000, and guides management as the founder.

- Takatsugu Suzuki, President and Executive Officer

After graduating and joining Nihon Brain Center, K.K., Mr. Suzuki joined en-japan when it was launched in 2000 and worked for the company for five years. He was elected as a director because of his highly-rated sales and management skills.

- Megumi Kawai, Director and Executive Officer

After joining Nihon Brain Center, K.K. as a mid-career professional, Ms. Kawai joined en-japan when it was launched in 2000 and worked for the company for 10 years. She was elected as a director because of her highly-rated new service development skills.

[Supplementary Principle 4.1]

The Company has designated the Board of Directors as the body that oversees the performance of duties by directors. The Board of Directors meets once a month and also convenes meetings as necessary. It monitors the status of performance of duties. The Board of Directors monitors progress on performance for each

business division and the company as a whole. It also discusses matters that are important to management of the business and decides the course of action. Matters subject to resolution by the Board of Directors are specified in the Rules on the Board of Directors. Other decisions and performance of other duties are based on the Rules on Responsibilities and Authority, and the Rules on Ringi Proposals and Applications. These documents clearly specify the authority to deliberate on and approve matters, as well as other types of authority.

[Principle 4.8]

The Company elects two independent outside directors. Our independent outside directors frequently exchange opinions with individual directors, audit & supervisory board members, and executive management from their unique outside perspectives. They possess sufficient skills and expertise to fulfill their roles and responsibilities and contribute to sustained growth of the company and improvement in corporate value.

[Principle 4.9]

Two of the five directors are outside directors. We have reported them as independent officers to Tokyo Stock Exchange, Inc. in accordance with the requirements for outside directors specified in the Companies Act and the standards of independence specified by Tokyo Stock Exchange, Inc.

[Supplementary Principle 4.11.1]

The Company's views on balance and diversity in knowledge, experience, and skills in the Board of Directors as a whole closely align with its views on nominating candidates for director as stated in Section 3.1. iv. These views are disclosed in our Corporate Governance Report. The en-japan Articles of Incorporation specify a maximum of 10 directors. We currently have five elected directors (three internal directors and two outside directors), which we consider an appropriate number for pursuing a system of highly efficient management.

[Supplementary Principle 4.11.2]

Concurrent positions in other listed companies held by directors and audit & supervisory board members are disclosed in the annual securities report and the Notice of the Annual Meeting of Shareholders.

[Supplementary Principle 4.14.2]

Directors and audit & supervisory board members are elected from among candidates who possess a broad range of expertise in business, finance, organizations, and other areas. We provide training to directors and audit & supervisory board members when elected, as necessary. The company also assumes the cost when directors and audit & supervisory board members participate in external training and other types of education, as necessary.

[Principle 5.1]

The Company has established an investor relations (IR) structure centered on the representative director. The Corporate Planning Department has been designated as the department in charge of IR. It holds briefings on financial results for shareholders and investors once every six months, and is gradually adding a series of small meetings and individual meetings in Japan and overseas.

## 2. Capital Structure

|                            |               |
|----------------------------|---------------|
| Foreign Shareholding Ratio | More than 30% |
|----------------------------|---------------|

### [Status of Major Shareholders] - Updated

| Name / Company Name   | Number of Shares Owned | Percentage (%) |
|---|------------------------|----------------|
| Michikatsu Ochi   | 4,383,900              | 9.63           |
| M.O. Soken Ltd.   | 3,160,000              | 6.95           |
| en Human Capital Education Association Inc.   | 3,060,000              | 6.73           |
| The Master Trust Bank of Japan, Ltd. (Trust account)  | 2,394,300              | 5.26           |
| Japan Trustee Services Bank, Ltd. (Trust account)   | 2,255,600              | 4.96           |
| En-Kikaku Ltd.  | 2,184,800              | 4.80           |
| Akiyuki Ochi  | 1,475,200              | 3.24           |
| STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS-UNITED KINGDOM | 1,090,000              | 2.40           |
| SSBTC CLIENT OMNIB US ACCOUNT   | 1,065,985              | 2.34           |
| NORTHERN TRUST CO.(AVFC) RE MONDRIAN INTERNATIONAL SMALL CAP EQUITY FUND, L.P                                     | 882,100                | 1.94           |

|   |       |
|---|-------|
| Controlling Shareholder (except for Parent Company) | _____ |
| Parent Company                                      | None  |

### Supplementary Explanation – Updated

As noted below, the company submits a report on large shareholdings. The table above is based on the shareholders roster on September 30, 2018.

The report on changes in the large shareholding report, which was submitted and also provided for public inspection on August 7, 2018, notes that Mizuho Trust & Banking Co., Ltd. and its joint shareholders Mizuho Securities Co., Ltd. and Asset Management One Co., Ltd. as well as Asset Management One International, Ltd. held the following number of shares on July 31, 2018.

[Name (number of shares held, number of shares held as a percentage of the number of shares issued)]

Mizuho Trust & Banking Co., Ltd. (2,399,000 shares, 4.83%)

Mizuho Securities Co., Ltd. (47,700 shares, 0.10%)

Asset Management One Co., Ltd. (1,705,000 shares, 3.43%)

Asset Management One International Ltd. (67,300 shares, 0.14%)

### 3. Corporate Profile

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

### 4. Policy on Measures to Protect Minority Shareholders When the Company Engages in Transactions with Controlling Shareholder

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### 5. Other 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 in Management

### 1. Organizational Composition and Operation

|                   |   |
|-------------------|---|
| Organization Form | Company with an Audit & Supervisory Board |
|-------------------|---|

#### [Board of Directors]

|   |           |
|---|-----------|
| Maximum Number of Directors Stipulated in Articles of Incorporation | 10        |
| Term of Office Stipulated in Articles of Incorporation              | 2 years   |
| Chairperson of the Board  | President |
| Number of Directors   | 5         |
| Appointment of Outside Directors                                    | Appointed |
| Number of Outside Directors   | 2         |
| Number of Independent Directors                                     | 2         |

#### Outside Directors' Relationship with the Company (1)

| Name            | Qualifications       | Relationship with the Company* |   |   |   |   |   |   |   |   |   |   |
|-----------------|----------------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|
|                 |                      | a                              | b | c | d | e | f | g | h | i | j | k |
| Yasunori Kusumi | From another company |                                |   |   |   |   |   |   |   |   |   |   |
| Kazunori Saito  | From another company |                                |   |   |   |   |   |   |   |   |   |   |

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

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

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

- Executive of the Company or its subsidiaries
- Non-executive director or executive of a parent company of the Company
- Executive of a fellow subsidiary of the Company
- A party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the Company or an executive thereof
- Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/ audit & supervisory board member
- Major shareholder of the Company (or an executive of the major shareholder if the shareholder is a legal entity)
- Executive of a client or supplier of the Company (which does not correspond to d, e, or f) (refers only to the director)
- Executive of a company which has the same individual(s) as the Company appointed as outside directors/ audit & supervisory board members (refers only to the director)
- Executive of a company or organization that has received a donation from the Company (refers only to the director)

k. Others

Outside Directors' Relationship with the Company (2)

| Name            | Designation as Independent Director | Supplementary Explanation of the Relationship | Reasons of Appointment   |
|-----------------|-------------------------------------|---|--|
| Yasunori Kusumi | ○                                   | -----   | Mr. Kusumi is highly knowledgeable about the Company's business, and his many years of experience in working in banking and as an audit & supervisory board member enable him to participate in management from a wholistic perspective. We have therefore elected him as an outside director. He meets each of the standards of independence specified by the Tokyo Stock Exchange and we have therefore determined that he presents no risk of a conflict of interests with general shareholders and have designated him as an independent director.             |
| Kazunori Saito  | ○                                   | -----   | In addition to possessing extensive experience and expert knowledge as a specialist in finance and accounting, Mr. Saito possess broad insight in regard to AI and technological singularity. We have elected him as an outside director to take advantage of that expertise in management of the Company. He meets each of the standards of independence specified by the Tokyo Stock Exchange and we have therefore determined that he presents no risk of a conflict of interests with general shareholders and have designated him as an independent director. |

|   |                  |
|---|------------------|
| Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Compensation Committee | None established |
|---|------------------|

**[Audit & Supervisory Board]**

|   |             |
|---|-------------|
| Establishment of Audit & Supervisory Board  | Established |
| Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation | 4           |
| Number of Audit & Supervisory Board Members   | 3           |



|  |
|--|
| Cooperation among Audit & Supervisory Board Members, the Accounting Auditor, and the Internal Audit Department |
|--|

In addition to receiving accounting audit reports from the accounting auditor during the period, audit & supervisory board members maintain appropriate contact with the accounting auditor by confirming the method of audit and exchanging opinions with accounting auditor as necessary.

The Internal Audit Department, which reports directly to the president and representative director, is in charge of the internal audit function and monitors the status of compliance with internal controls. It also performs regular internal audits and works together with audit & supervisory board members by exchanging opinions on the results of such audits, and cooperating in other ways. Internal audit reports are submitted to the president and representative director through the head of the Internal Audit Department.

|  |           |
|--|-----------|
| Appointment of Outside Audit & Supervisory Board Members | Appointed |
| Number of Outside Audit & Supervisory Board Members      | 2         |
| Number of Independent Audit & Supervisory Board Members  | 2         |

|  |
|--|
| Outside Audit & Supervisory Board Member's Relationship with the Company (1) |
|--|

| Name          | Qualifications           | Relationship with the Company* |   |   |   |   |   |   |   |   |   |   |   |   |
|---------------|--------------------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|---|---|
|               |                          | a                              | b | c | d | e | f | g | h | i | j | k | l | m |
| Atsuo Yoshida | Certified tax accountant |                                |   |   |   |   |   |   |   |   |   |   |   |   |
| Taisuke Igaki | Attorney                 |                                |   |   |   |   |   |   |   |   |   |   |   |   |

\* Categories for "Relationship with the Company"

- \* "○" when the audit & supervisory board member presently falls or has recently fallen under the category;  
"△" when the audit & supervisory board member fell under the category in the past
- \* "●" when a close relative of the audit & supervisory board member presently falls or has recently fallen under the category;  
"▲" when a close relative of the audit & supervisory board member fell under the category in the past

- a. Executive of the Company or its subsidiaries
- b. Non-executive director or accounting advisor of the Company or its subsidiaries
- c. Non-executive director or executive of a parent company of the Company
- d. Audit & supervisory board member of a parent company of the Company
- e. Executive of a fellow subsidiary of the Company
- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an audit & supervisory board member
- i. Major shareholder of the Company (or an executive of the major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier of the Company (which does not correspond to f, g, or h) (refers only to the audit & supervisory board member)

- k. Executive of a company which has the same individual(s) as the Company appointed as outside directors/ audit & supervisory board members (refers only to the audit & supervisory board member)
- l. Executive of a company or organization that has received a donation from the Company (refers only to the audit & supervisory board member)
- m. Others

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Outside Audit & Supervisory Board Member's Relationship with the Company (2)

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| Name          | Designation as Independent Audit & Supervisory Board Member | Supplementary Explanation of the Relationship | Reasons of Appointment  |
|---------------|---|---|---|
| Atsuo Yoshida | ○   | -----   | Mr. Yoshida is a certified tax accountant and we elected him as an outside audit & supervisory board member to utilize his expert knowledge and experience in the company's audit & supervisory structure. He meets each of the standards of independence specified by the Tokyo Stock Exchange and we have therefore determined that he presents no risk of a conflict of interests with general shareholders and have designated him as an independent officer. |
| Taisuke Igaki | ○   | -----   | Mr. Igaki is an attorney and we elected him as an outside audit & supervisory board member to utilize his expert knowledge and experience in the company's audit & supervisory structure. He meets each of the standards of independence specified by the Tokyo Stock Exchange and we have therefore determined that he presents no risk of a conflict of interests with general shareholders and have designated him as an independent officer.                  |

**[Independent Officers (Directors/ Audit & Supervisory Board Members)]**

|                                |   |
|--------------------------------|---|
| Number of Independent Officers | 4 |
|--------------------------------|---|

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Matters relating to Independent Directors/ Audit & Supervisory Board Members

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The Company has designated all outside directors and outside audit & supervisory board members who meet the criteria for independent officer as independent officers.

**[Incentives]**

|                                  |  |
|----------------------------------|--|
| Incentive Policies for Directors | A system of stock options has been introduced. |
|----------------------------------|--|

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**Supplementary Explanation**

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The Company awards stock options to directors to enable them to share the advantages and risks of stock price fluctuations with shareholders and to further increase their desire to contribute to increases in stock price and in corporate value. We have introduced a system that awards stock options based on collective consideration of the abilities of each individual and the degree to which he or she contributes to the Company.

|                             |                                  |
|-----------------------------|----------------------------------|
| Recipients of Stock Options | Internal directors and employees |
|-----------------------------|----------------------------------|

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**Supplementary Explanation**

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The Company awards stock options to Company directors and employees to increase their desire and motivation to improve corporate results.

**[Director Compensation]**

|  |   |
|--|---|
| Disclosure of Individual Directors' Compensation | Individual compensation is not disclosed. |
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**Supplementary Explanation**

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Total amount paid to directors in the most recent fiscal year:

Directors: 83 million yen (including 2 million yen to one outside director)

\* The compensation paid to director (excluding outside directors) as noted above includes 10 million yen in expenses associated with call options awarded as stock options.

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

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**Disclosure of Policy on Determining Compensation Amounts and Calculation Methods**

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Director compensation is determined based on corporate results and the total compensation paid to directors is disclosed in the annual securities report.

**[Support System for Outside Directors and/or Outside Audit & Supervisory Board Members]**

The divisions concerned provide advance explanation of agenda items to outside directors and outside audit & supervisory board members as necessary to help ensure sufficient discussion of agenda items at Board of Directors meetings.

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

### **<Overview of Current System >**

1. The Company has designated the Board of Directors as the body that oversees the performance of duties by directors. The Board of Directors meets once a month and also convenes meetings as necessary. It monitors the status of performance of duties. The Board of Directors monitors progress on performance for each business division and the company as a whole. It also discusses matters that are important to management of the business and decides the course of action.
2. The Company has adopted the audit & supervisory board system. Audit & supervisory board members discuss legal and regulatory matters and matters specified in the Company's Articles of Incorporation as well as important audit operations, according to the audit policy and division of duties specified by the Audit & Supervisory Board. They also work to improve the audit system. Audit & supervisory board members attend Board of Directors meetings. They audit the performance of duties by directors for legality and perform audits on the status of performance of duties by directors.

Audit & supervisory board members also work to improve the effectiveness and usefulness of audits by exchanging opinions with the accounting auditor and others on a regular basis, and taking other steps to improve audits.

3. The Company has retained Ernst & Young ShinNihon LLC as its accounting auditor. There are no notable conflicts of interest between the Company and the employees of the accounting auditor who perform work for en-japan. The names of the certified public accountants (CPAs) and other audit team members are listed below.

#### **•Names of CPAs who performed work in the recent fiscal year:**

(Name and title of CPA who performed work) (Name of firm the CPA is affiliated with)

Shigeyuki Kano, Designated Employee with Limited Liability and Managing Partner,  
Ernst & Young ShinNihon LLC

Ryo Kayama, Designated Employee with Limited Liability and Managing Partner,  
Ernst & Young ShinNihon LLC

\* The number of years of successive audits is less than 7 years, and therefore has been omitted.

#### **•Composition of supporting team members involved in audit work:**

CPAs: 5

Other: 9

\* Others includes team members who have passed the CPA exam and those in charge of system audits.

### **<Initiatives Aimed at Strengthening the Audit & Supervisory Function >**

The Company has appointed a full-time audit & supervisory board member to strengthen the audit & supervisory function, and selected a person who was capable of understanding the entire range of business and making decisions on legality. This has established an environment that enables close communication and work with directors, personnel in charge of internal auditing functions, and the accounting auditor. The Company also selects outside audit & supervisory board members who possess financial, accounting, legal, and other expertise essential to the nature of the company's business, and who can make neutral, fair, legal, and appropriated decisions.

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

The Company has selected the current structure because we think it ensures proper functioning of the Company's business. To achieve this outcome, outside directors who are experienced in management oversee the conduct of business by the company from an independent and fair perspective. Outside audit & supervisory board members who possess expert knowledge and experience in their fields and an internal full-time audit & supervisory board member work together with the accounting auditor and the Internal Audit Department to perform audits.

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

#### 1. Measures to Ensure Dynamic General Shareholder Meetings and Smooth Exercise of Voting Rights

|  | Supplementary Explanations   |
|--|--|
| Early Notification of Annual Meeting of Shareholders   | The Company works to send the Notice of the Annual Meeting of Shareholders early. We also post it on TDnet and on our corporate website prior to sending it. |
| Scheduling the Annual Meeting of Shareholders on a date when many other companies are not holding theirs | We take care not to schedule the meeting on a day on which many other companies are holding their annual meetings so that more shareholders can attend.      |
| Electronic Exercise of Voting Rights Allowed   | We are considering this, but have not yet made a decision.   |
| Participation in an Electronic Voting Platform or Other Means to Increase the Exercise of Voting Rights  | We are considering participation, but have not yet made a decision.  |
| Convocation Notice in English Provided   | We produce an English version of the Notice of the Annual Meeting of Shareholders and post it on TDnet and on our corporate website.                         |

#### 2. IR Activities

|   | Supplementary Explanations  | Explanation from Representative |
|---|---|---------------------------------|
| Regular Investor Briefings for Individual Investors                 | We hold briefings for individual investors once or twice a year.  | Yes                             |
| Regular Investor Briefings for Analysts and Institutional Investors | We hold two investor briefings a year: One for the end of the second quarter, and one for the end of the full year.   | Yes                             |
| Posting of IR Materials on Website                                  | IR materials posted include summary financial statements, financial results briefing materials, and video and written materials for the investor briefing for individual investors, as well as IR news and other information (we provide English versions of these materials).<br><a href="https://corp.en-japan.com/en/IR/">https://corp.en-japan.com/en/IR/</a> |                                 |
| Establishment of Department and/or Manager in Charge of IR          | We have designated a division in charge of IR.  |                                 |

### 3. Measures to Ensure Respect for Stakeholders' Positions - Updated

|   | Supplementary Explanations   |
|---|--|
| Stipulation of Internal Rules for Respecting the Position of Stakeholders | One of the tenets of en-japan's corporate philosophy is social justice. We believe that doing what is right for society and contributing to society, without falling into the trap of believing the profit is the only goal, are why we exist.   |
| Other   | <p>Policy and Initiatives on Promoting the Advancement of Women</p> <p>At en-japan, we actively promote hiring and promotion of female employees, and female employees comprise 43.9% of all employees (as of March 31, 2018). We will continue to work actively to establish an environment that enables female employees to work with passion and enables them to advance their careers in various fields.</p> <p>We are currently implementing WOMen Lab, an internal project to promote the advancement of women. Megumi Kawai, who is a female director, is taking the lead on this. The content of that program is communicated internally and externally in the blog for the project and the internal new bulletin, ensoku!</p> <p>&lt;Main Initiatives and Systems &gt;</p> <ul style="list-style-type: none"> <li>• WOMen Lab management course (to develop managerial level women)</li> <li>• Networking events for female employees</li> <li>• Networking events and luncheons held to support employees on childcare leave</li> <li>• Female employee satisfaction survey</li> <li>• The Smart Growth System (a system aimed at preventing the stalling of a woman's career and decline in income by choosing shorter work hours after returning from childcare leave), etc.</li> </ul> <p>&lt;Goal for the Percentage of Women Managers &gt;</p> <p>* Dept. manager and higher</p> <p>Our goal for the percentage of female managers is to reach 30% by the end of fiscal 2020.</p> |

## IV. Matters Related to the Internal Control System

### 1. Basic Views on Internal Control System and Progress on System Development

#### <Basic Views>

At en-japan, our goal is to contribute to our shareholders, clients, many stakeholders, and society at large through our business. We have therefore positioned building an organization that can respond to changes in the management environment as an important policy for the group as a whole. We are therefore working to strengthen corporate governance and make it robust to enable healthy growth of our corporate group, and are working to create a fair management system.

We think that ensuring even stronger ethical values and integrity among our officers and employees is the basic premise upon which earning the true trust of our many stakeholders is built. One of the tenets of our corporate philosophy is to do what is right for society and social justice is a concept that clearly communicates that serving society is the reason for our existence.

We will continue to adhere to this philosophy and way of thinking as the fundamental basis for the actions of our officers and employees, and will work to build an even stronger system of internal management by through thorough education on compliance and other means. We will ensure sound management by making sure that this system functions properly.

#### <Status of Progress on Establishing Internal Controls >

##### A. System to ensure efficient performance of duties by directors and employees of the Company and Group companies

The Company holds regular Board of Directors meetings once a month, and holds additional Board of Directors meetings when necessary. We have established a system that enables agility and swift decision-making on matters of importance to the en-japan Group. The Board of Directors has also established a body to oversee the performance of duties by directors to ensure that those duties are properly performed. The Board of Directors formulates and promotes concrete policies and measures aimed at achieving the management plan, ascertains the status of progress on achieving goals and challenges that exist, and takes steps to resolve any challenges.

##### B. System for ensuring that the performance of duties by directors and employees of the Company and Group companies meets legal and regulatory requirements and those specified in the Articles of Incorporation

The Company has established a compliance structure for overseeing the compliance function in the entire group. The Compliance Division is responsible for the work involved in promoting compliance activities across all organizations in the group. The Compliance Division works with each company in the group to establish a compliance structure for the region it is in charge of, and promotes compliance with laws and regulations and internal company rules as well as other compliance activities.

The Internal Audit Department, which reports directly to the president and representative director, is in charge of the internal auditing function, and works to monitor the status of compliance with internal controls. It also performs regular internal audits and works together with audit & supervisory board members by exchanging opinions on the results of such audits, and cooperating in other ways. Internal audit reports are submitted to the president and representative director through the head of the Internal Audit Department.

Whistleblowing system: The company has established a system to protect whistleblowers by establishing the Rules on Treatment of Public-Interest Whistleblowers. Under this system, an employee who has become aware of actions that he or she suspects is a compliance violation can report it to the internal whistleblowing hotline and the company will protect the whistleblower from any repercussions.



- C. System for retaining and managing information relating to performance of duties by Company directors  
The Company has established rules on the retention period and method of management for documents (including electronically recorded documents) that contain information on the performance of duties by directors. The information is retained and properly managed in accordance with these rules.
- D. Rules on and system for managing the risk of loss at the Company and Group companies  
The person responsible for risks associated with routine conduct of business in each division works to predict and gauge the extent of such risks and takes steps to prevent them from materializing. Risks associated with each division are also reported to the Board of Directors and the president and representative director, who then swiftly take the appropriate steps to address them. In an emergency, the Company will activate an emergency response headquarters with the president in charge. The emergency response headquarters will work together with an attorney and other external experts to respond rapidly to prevent greater damages or loss and mitigate it to the extent possible.
- E. System to ensure proper conduct of operations by the Company and companies that are part of Company groups that make up the en-japan Group  
The management of affiliated companies is handled by the Administrative Division in accordance with the Rules on Management of Affiliated Companies. It works together with the administrative division at each affiliated company. Based on those rules, some management matters require approval by the Board of Directors or mandate reporting to the Board of Directors and the division concerned.
- F. System for employees that assist audit & supervisory board members in the performance of their duties  
When an audit & supervisory board member requests an employee to assist with audit & supervisory duties, directors will allocate an appropriate person to assist with those duties. This assistant will work alone or together with the relevant division to perform the research, analysis, and reporting subject to audit at the direction of the audit & supervisory board member, and will assist the audit & supervisory board member in performing onsite audits when necessary.
- G. Matters concerning the independence of employees who assist audit & supervisory board members from the directors and matters concerning ensuring the viability of instructions to such assistants  
The human resources director will report personnel evaluations, personnel transfers, and disciplinary measures taken with respect to an employee who is assisting with audit & supervisory board member duties to the Audit & Supervisory Board in advance, and shall obtain approval of the Audit & Supervisory Board when necessary.  
The assisting employee will also report directly to the audit & supervisory board member.
- H. System for directors and employees to report to audit & supervisory board members and system for ensuring that persons who have reported are not subjected to retaliation because they reported  
Directors or employees will promptly report legally mandated matters and matters that would have a serious impact on the entire company. In addition to this, they will also promptly report on the status of internal audit implementation, protection and management of personal information, and the details regarding such matters upon request of an audit & supervisory board member.  
Moreover, when a director or employee is convinced that the company or an officer or employee has violated (or is in danger of violating) company policies; laws, regulations, and rules on business activities, etc.; or internal company rules and policies; the Company encourages that person to

immediately report that fact.

The company has established and maintains a system for treating people who make such reports fairly and not permitting any retaliatory action against them, regardless of whether the report was made to an audit & supervisory board member or not.

- I. System to ensure that other audits by audit & supervisory board members are performed efficiently  
Directors provide an environment that enables audit & supervisory board members to work with an attorney, CPA, or other external expert in the course of performing audit & supervisory board member duties, when the audit & supervisory board member deems it necessary..

## **2. Basic Views on Eliminating Anti-Social Forces**

The Company cooperates with law enforcement agencies in regard to antisocial forces that exert an adverse impact on social order or sound corporate operations. Our basic policy is to respond to such threats resolutely and in a systematic manner, and we make sure that all officers and employees are aware of this.

## **V. Other**

### **1. Adoption of Anti-Takeover Measures**

|                                    |             |
|------------------------------------|-------------|
| Adoption of Anti-Takeover Measures | Not Adopted |
|------------------------------------|-------------|

#### **Supplementary Explanation**

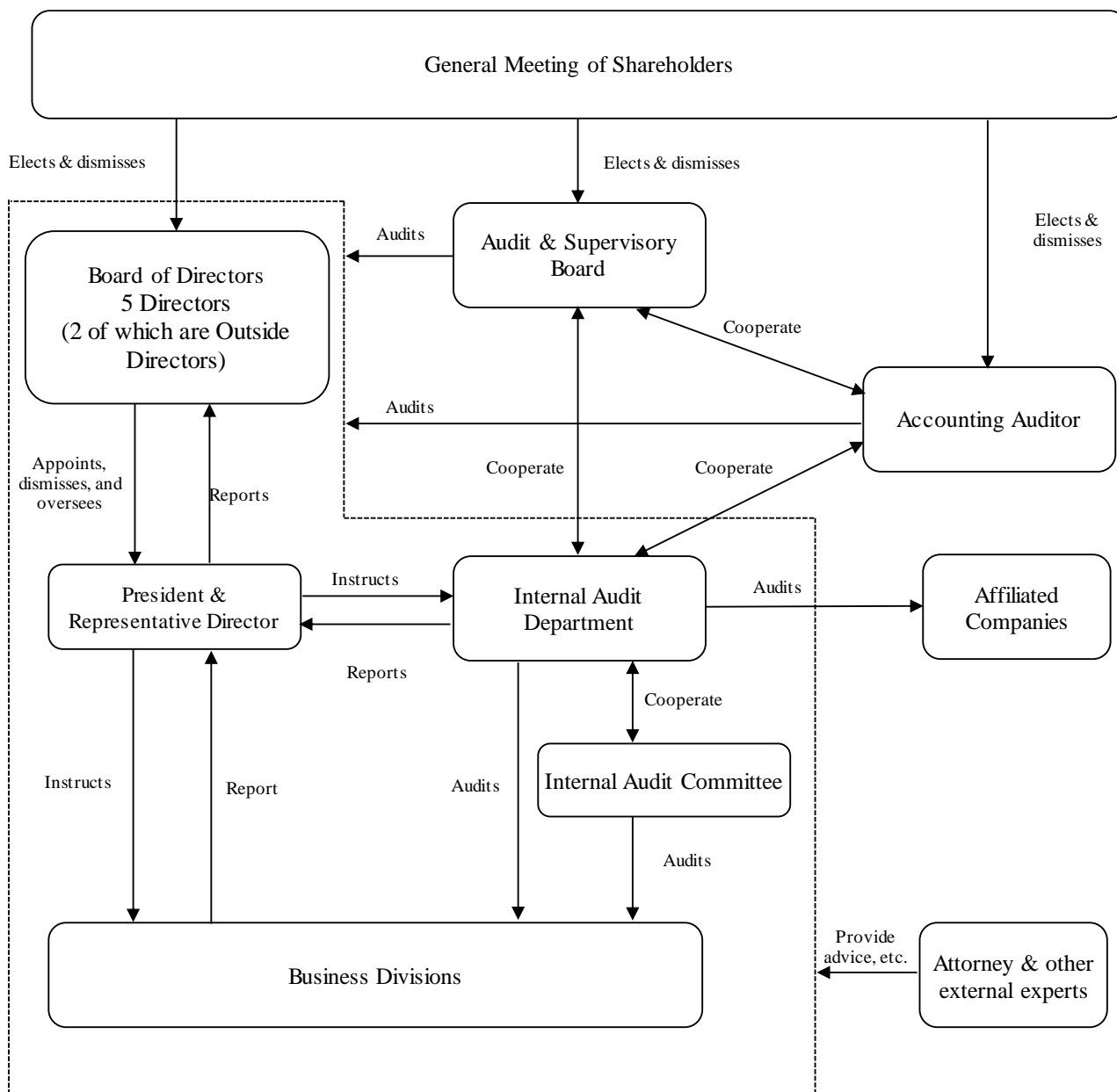
The Company has not introduced specific anti-takeover measures to response to so-called hostile takeovers, at present.

### **2. Other Matters Concerning to Corporate Governance System**

[Status of Internal System for Timely Disclosure]

The Company complies with the Financial Instruments & Exchange Act, other relevant laws and regulations, and the rules of the Tokyo Stock Exchange. As shown in the attached diagram, we have established an internal structure that enables accurate and fair disclosure of information in a timely manner. The Chief Information Officer directs the divisions in charge of information disclosure to check and verify the various kinds of information reported to it by the divisions in charge of that information.

[[Reference Material: Organizational Diagram]]



[Internal System to Ensure Timely Disclosure]

