

Corporate Governance Report

Last Update: December 28, 2020

APAMAN Co., Ltd.

Representative: Koji Omura President and CEO

Contact: Masahiro Takata, Deputy Executive Manager, Administration Division

Securities Code: 8889

<http://www.apamanshop-hd.co.jp>

The corporate governance of APAMAN Co., Ltd. (“Apaman” or the “Company”) is described below.

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

1. Basic Views

Apaman, which is the holding company of the Apaman Group, oversees its business activities and supervises the more than 30 consolidated subsidiaries in the Apaman Group. Our highest priorities concerning management include corporate social responsibility (CSR) regarding society, shareholders and all other stakeholders and further increasing synergies among group companies.

Our goal is to use the holding company structure in order to further increase our corporate value by managing the Group with speed and flexibility and becoming more competitive.

The structure of corporate governance at Apaman is centered on the Board of Directors and Audit & Supervisory Board. As a rule, the representative director and other directors of Apaman concurrently serve as the directors of Apaman’s major subsidiaries. This facilitates the establishment of business strategies that include group companies, the oversight of management and the best possible allocation of corporate resources.

The supervisory function is performed by the Board of Directors and Audit & Supervisory Board as well as the Group Management Committee, which has the primary roles of performing preliminary studies concerning important matters about management, sharing information and examining information about risk factors. In addition, there is the Internal Audit Department that is responsible for auditing business operations in order to supervise the business units that are operated by individual directors. There is also a Compliance Committee for the purpose of compliance and oversight of regulations based on laws and regulations, which include those related to the operations of Apaman and its group companies (Building Lots and Buildings Transaction Business Act, Antimonopoly Act, etc.), the Whistleblower Protection Act, the Act on the Protection of Personal Information, and other laws and regulations.

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

Apaman implements each principle of the Corporate Governance Code.

2. Capital Structure

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

Name / Company Name	Number of Shares Owned	Percentage (%)
Koji Omura	4,985,460	27.28
NOMURA PB NOMINEES LIMITED OMNIBUS-MARGIN (CASHPB)	1,899,200	10.39
Custody Bank of Japan, Ltd. (Trust Account)	1,350,800	7.39
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	881,450	4.82
Sanko Soflan Holdings Co., Ltd	847,890	4.64
Poem Holdings Corporation	647,790	3.54

CGML PB CLIENT ACCOUNT/COLLATERAL	513,100	2.81
Japan Best Rescue System Co., Ltd.	360,360	1.97
APAMAN Trading-Partner Shareholding Association	358,020	1.96
Morgan Stanley MUFG Securities Co., Ltd.	338,285	1.85

Controlling Shareholder (Except for Parent Company)	-
Parent Company	None

Supplementary Explanation

1. A Large Shareholding Report (amended report) that became available for public inspection on June 15, 2020 stated that 3D Investment Partners Pte. Ltd. owned Apaman stock as follows on June 8, 2020. This company is not included in the above list of major shareholders because Apaman was unable to confirm the number of shares effectively held by it as of the end of September 2020.

The contents of the amended Large Shareholding Report are as follows.

Large volume holder: 3D Investment Partners Pte. Ltd.
Address: 250 North Bridge Road, #13-01 Raffles City Tower, Singapore 179101
Number of share certificates: 2,591,800 shares
Ownership ratio of share certificates: 14.18%

2. A Large Shareholding Report (amended report) that became available for public inspection on June 19, 2020 stated that Morgan Stanley MUFG Securities Co., Ltd. and Morgan Stanley & Co. International plc jointly owned Apaman stock as follows on June 15, 2020. These two companies are not included in the above list of major shareholders because Apaman was unable to confirm the number of shares effectively held by them as of the end of September 2020.

The contents of the amended Large Shareholding Report are as follows.

Large volume holder: Morgan Stanley MUFG Securities Co., Ltd.
Address: Otemachi Financial City South Tower, 1-9-7 Otemachi, Chiyoda-ku, Tokyo
Number of share certificates: 285 shares
Ownership ratio of share certificates: 0.00%

Large volume holder: Morgan Stanley & Co. International plc
Address: 25 Cabot Square, Canary Wharf, London E14 4QA, United Kingdom
Number of share certificates: 345,700 shares
Ownership ratio of share certificates: 1.89%

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, JASDAQ
Fiscal Year-end	September
Type of Business	Real estate
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	From 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 Conducting Transactions with a Controlling Shareholder

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5. Other Special Circumstances which May Have a 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 the Audit & Supervisory Board
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	9
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	4
Election of Outside Directors	Yes
Number of Outside Directors	2
Number of Independent Directors	2

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Yujiro Takahashi	From another company												
Tetsuhito Watanabe	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

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 besides remuneration as a director/Audit & Supervisory Board member

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

h. Executive of a client or supplier 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 outside directors/Audit & Supervisory Board members are mutually appointed (the director himself/herself only)

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

k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Yujiro Takahashi	○	-	Mr. Takahashi has extensive knowledge of legal matters due to his experience as an attorney. As Apaman believes that he can use this knowledge to provide a variety of opinions concerning Apaman, he was elected as an outside director. Mr. Takahashi is also designated as an independent director because Apaman believes there is no risk of a conflict of interests with those of ordinary shareholders and his ability to maintain sufficient independence from senior executives for the oversight of management.
Tetsuhito Watanabe	○	-	Mr. Watanabe has extensive knowledge and experience as a tax accountant and administrative scrivener. He was elected as an outside director because Apaman believes that he can use this knowledge to provide suitable guidance involving management. Mr. Watanabe is also designated as an independent director because Apaman believes there is no risk of a conflict of interests with those of ordinary shareholders and his ability to maintain sufficient independence from senior executives for the oversight of management.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	None
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[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	6
Number of Audit & Supervisory Board Members	3

Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Departments

The accounting auditor and the members of the Audit & Supervisory Board exchange information, reports and other items for cooperation involving accounting audits performed in accordance with the Companies Act and financial statement audits and internal control system audits performed in accordance with the Financial Instruments and Exchange Act.

When determined to be necessary due to a problem concerning the performance of the duties of the accounting auditor or some other reason, the Audit & Supervisory Board may ask the Board of Directors to hold a General Meeting of Shareholders for the purpose of dismissing or not reappointing the accounting auditor.

If the Audit & Supervisory Board determines that the items in Article 340, Paragraph 1 of the Companies Act are applicable to the accounting auditor, with the unanimous agreement of the members, the accounting auditor can be dismissed. If this happens, an Audit & Supervisory Board member selected by this committee must report this dismissal and the reason for this action at the first General Meeting of Shareholders following this action.

The Internal Audit Department and Audit & Supervisory Board have a framework for cooperation in order to maintain strong lines of communications. This includes the submission of internal audit plans, internal audit reports

(audit notification, audit preliminary memo, audit report, audit results notice, audit results corrective action response, follow-up examinations, etc.) and audit reports to the Audit & Supervisory Board. As needed, the Internal Audit Department holds discussions and works in other ways with this committee concerning measures for improvements, preventive measures and other actions. Overall, this framework encompasses the frequent sharing of information and the implementation of internal audits and audits by the Audit & Supervisory Board members.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	2
Number of Independent Audit & Supervisory Board Members	1

Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*													
		a	b	c	d	e	f	g	h	i	j	k	l	m	
Makoto Ariyasu	From another company														
Takeshi Yamada	From another company										○				

* 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 company 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 remuneration as a director/Audit & Supervisory Board member

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

j. Executive of a client or supplier of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board member himself/herself only)

k. Executive of a company, between which and the Company outside directors/Audit & Supervisory Board members are mutually appointed (the Audit & Supervisory Board member himself/herself only)

l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board member himself/herself only)

m. Others

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

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment

Makoto Ariyasu		-	Mr. Ariyasu was appointed for the purpose of using his knowledge of compliance with laws, regulations and the Articles of Incorporation and his experience to strengthen the Apaman's auditing system.
Takeshi Yamada	○	Mr. Yamada is currently the Representative Partner of TACT Consulting & Co., a tax accounting firm, which has an advisory contract with Apaman Property Co., Ltd., a consolidated subsidiary of Apaman.	Mr. Yamada was appointed due to the outlook for him to use his knowledge of corporate finance to provide useful advice concerning the Apaman's auditing system. In addition, Apaman believes that Mr. Yamada's skills involving finance, accounting and other fields as a certified public accountant make him well suited to serve as an outside Audit & Supervisory Board member.

[Independent Directors/ Audit & Supervisory Board Members]

Number of Independent Directors/Audit & Supervisory Board Members	3
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Matters relating to Independent Directors/Audit & Supervisory Board Members

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[Incentives]

Incentive Policies for Directors	Stock options
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Supplementary Explanation

Apaman has a stock option program that enables directors to purchase these options for the purpose of increasing their motivation and reinforcing solidarity concerning the goals of achieving medium to long-term growth of sales and earnings and growth of corporate value. These stock options are not remuneration for eligible directors; the directors are allowed to purchase these options based on their own investment decisions.

Recipients of Stock Options	Directors/employees
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Supplementary Explanation

The purpose is to increase motivation of directors and employees and to reinforce solidarity concerning the goals of achieving medium to long-term growth of sales and earnings and growth of corporate value.

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	Selected directors
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Supplementary Explanation

Remuneration for the fiscal year that ended in September 2020 (October 1, 2019 to September 30, 2020) for directors and members of the Audit & Supervisory Board is as follows.

- Remuneration paid to directors (excluding outside directors): 138 million yen
- Remuneration paid to Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members): 4 million yen

- Remuneration paid to outside directors/Audit & Supervisory Board members: 10 million yen

Directors are given the opportunity to purchase stock options. These stock options are not remuneration for eligible directors; the directors are allowed to purchase these options based on their own investment decisions. The above remuneration paid to directors (excluding outside directors) includes expenses of 8 million yen during the fiscal year that ended in September 2020 associated with share acquisition rights granted as stock options purchased by directors.

Remuneration for individual directors/Audit & Supervisory Board members is as follows for the fiscal year that ended in September 2020.

- Koji Omura: 108 million yen (Basic remuneration 99 million yen, stock options 8 million yen)
- Remuneration of individual directors is disclosed only for directors who receive total remuneration on a consolidated basis of at least 100 million yen.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The Apaman Articles of Incorporation state that the remuneration of directors and Audit & Supervisory Board members is determined by resolutions made at the General Meeting of Shareholders. At the sixth Ordinary General Meeting of Shareholders, which was held on December 21, 2005, shareholders approved a resolution that limits total annual remuneration to 300 million yen for directors and 50 million yen for Audit & Supervisory Board members.

The aggregate remuneration of directors is decided by the Board of Directors within this limit approved by the General Meeting of Shareholders. Determination of the remuneration of individual directors is delegated by the Board of Directors to the representative director, who makes decisions based on the performance, duties and other characteristics of each director.

The remuneration of individual Audit & Supervisory Board members is determined by discussions about this remuneration by this committee and the aggregate remuneration is within the limit approved at the General Meeting of Shareholders.

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

Apaman makes efforts to provide information before holding the Board of Directors meeting, such as by distributing materials concerning agenda items in advance and providing explanations prior to meetings when necessary.

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

(1) Execution of business operations

1) Group Management Committee

The Group Management Committee, which meets three times every week as a rule, conducts preliminary discussions of important matters involving business operations of the entire Apaman Group. In principle, the members of this committee are the directors of Apaman and major group subsidiaries and managers at the level of deputy executive manager and higher. Audit & Supervisory Board members may also attend if necessary.

At these meetings, directors submit reports appropriately concerning the current status of operations, outlook and other subjects concerning the company or business unit they operate. This allows directors to keep track of problems, risk factors, forecasts of performance and other items involving companies and business units other than their own areas of responsibility. Sharing information facilitates numerous functions, such as the mutual oversight

and mutual checking function for directors, the oversight of representative director and other directors by the Board of Directors, and the maintenance of a framework for compliance.

2) Board of Directors

The Board of Directors meets once every month, as a rule, with the attendance of three directors (including two outside directors) and three Audit & Supervisory Board members (including two outside Audit & Supervisory Board members, one of whom is a certified public accountant). We use a television conference system to make it possible to hold meetings of the Board of Directors with flexibility at major Apaman business sites from Hokkaido to Fukuoka.

The Board of Directors complies with all applicable rules, including the Board of Directors Rules, Management Committee Rules, Job Authority Rules (including the authority for making decisions), Group Company Management Rules and others. These rules provide for the restriction and oversight regarding compliance of how the directors perform their duties.

(2) Auditing and supervisory functions

1) Internal audits

The Internal Audit Department is responsible for conducting internal audits. There are four auditors who are assigned to the Apaman head office.

The Internal Audit Department establishes an internal audit plan for every fiscal year in accordance with the internal auditing manual. The president and representative director and the Audit & Supervisory Board members receive an explanation of the main points of the plan. After the president and representative director approves the plan, the internal audit is conducted (audit notification, audit preliminary memo, audit report, audit results notice, audit results corrective action response, follow-up examinations, etc.).

The Internal Audit Department submits audit reports and other documents to the president and representative director as well as to the manager of the department audited and the Audit & Supervisory Board members. Subsequent improvements, preventive measures and other actions, as needed, are performed as instructed by the representative director.

Audits by the Internal Audit Department primarily cover items (activities, methods, personnel, risk management, ideas for improvements and preventive measures, and other items) concerning how business operations are conducted at head office departments and the subsidiary company departments responsible for business operations. There is a framework for ensuring that all individuals at a department undergoing an audit cooperate fully with the individuals who are performing the internal audit.

After receiving the results of an internal audit, if the Audit & Supervisory Board members deem it necessary, an internal controls audit may be performed by asking the manager (director or other manager) of the department that was audited about whether there are any problems concerning how that manager is performing his/her duties (failure to observe limits on authority, improper behavior, serious problem involving compliance or risk management, etc.).

2) Audits by Audit & Supervisory Board members

The Audit & Supervisory Board consists of one full-time member and two part-time members (one is an independent outside member and one is an outside member). These three auditors perform their duties and perform accounting audits in accordance with the division of duties determined by the Audit & Supervisory Board.

Among the major tasks involving audits by Audit & Supervisory Board members, audits of the performance of duties by the directors are conducted mostly by the full-time member. This Audit & Supervisory Board member performs investigations and audits concerning business operations conducted by directors at the Management Committee, Board of Directors meetings and at other times and then submits reports to the Audit & Supervisory Board. Outside Audit & Supervisory Board member Takeshi Yamada is a certified public accountant and a tax accountant as well as an independent Audit & Supervisory Board member. Mr. Yamada has considerable knowledge concerning finance and accounting.

The Internal Audit Department and the Audit & Supervisory Board share information frequently and there is a framework for cooperation concerning internal controls, internal audits and audits by the Audit & Supervisory Board members. In addition, there are communications between the accounting auditor and this committee by sharing information when accounting audits take place.

3) Accounting audit

Apaman has selected Grant Thornton Taiyo LLC as the accounting auditor for conducting consolidated accounting audit operations prescribed in the Companies Act, Financial Instruments and Exchange Act and other laws. This firm has performed Apaman audits for the past 12 years.

For the fiscal year that ended in September 2020, the following certified public accounts at Grant Thornton Taiyo conducted the audit.

Keita Tajiri, Designated Limited Liability Partner, Engagement Partner, Certified Public Accountant (fifth consecutive year)

Shinichiro Shimazu, Designated Limited Liability Partner, Engagement Partner, Certified Public Accountant (third consecutive year)

These individuals were assisted by eight certified public accountants and 12 others to conduct the accounting audit of Apaman.

4) Other committees

In addition, as committees under the corporate governance structure, Apaman has a Compliance Committee in accordance with Compliance Rules, a Rewards and Punishment Investigation Committee in accordance with the associated rules, and a Risk Management Committee in accordance with Risk Management Rules. Apaman also utilizes the decisions and ideas of two external conferences: the Senior Adviser Conference and the All-Japan Caregiver Conference (consisting mainly of company managers from all areas of Japan who are associated with the real estate business). This input is adequately used regarding the oversight and checking functions of the senior executives of Apaman.

(3) Measures to strengthen functions of the Audit & Supervisory Board members

Please see “1. Organizational Composition and Operation, Audit & Supervisory Board Members, Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Departments.”

3. Reasons for Selection of the Current Corporate Governance System

For important matters involving management, in addition to the regular meetings of the Board of Directors, Apaman has a Group Management Committee (meets three times every week, as a rule) as prescribed by the Group Management Committee Rules. Under the current system, in principle, the members of this committee are the directors of Apaman and major group subsidiaries and managers at the level of deputy executive manager and higher. Members of the committee discuss and study various subjects. This allows the directors (Audit & Supervisory Board members may attend voluntarily) to mutually understand the status of business operations in other sectors of the Apaman Group.

This governance system provides for the mutual supervision and oversight of how the representative director and other directors conduct business operations as well as the objectivity and neutrality of the management oversight function, which are all required by laws and regulations. In addition, there are two outside directors and two outside Audit & Supervisory Board members for the purpose of strengthening the management oversight function through the utilization of the professional knowledge of these individuals involving law, taxes and other fields. The Audit & Supervisory Board also uses this knowledge for monitoring the performance of the directors. Apaman is using the current governance system because it sufficiently performs corporate governance functions.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanations
Scheduling General Shareholder Meetings Avoiding the Peak Day	The fiscal year of Apaman ends on September 30 and the Annual General Meeting of Shareholders in December.
Providing Convocation Notice in English	When requested, Apaman will provide an English-language notice of convocation (only front page and reference materials) of the General Meeting of Shareholders.

2. IR Activities

	Supplementary Explanations	Presentation by President
Preparation and Announcement of Disclosure Policy	Apaman posts its disclosure (IR) policy on its website.	
Regular Investor Briefings for Analysts and Institutional Investors	In principle, information meetings for analysts and institutional investors are held for the announcement of fiscal year results and the announcement of first half results.	Yes
Posting of IR Materials on Website	The Apaman website has an investor relations section with information that is useful for investors, such as financial information (earnings announcements, supplementary financial information, Securities Reports, quarterly reports), timely disclosure documents, electronic announcements, quarterly and fiscal year financial data, and other information.	
Establishment of Department and/or Manager in Charge of IR	Apaman has a manager assigned exclusively to IR in the Administration Division.	
Other	Apaman holds many one-to-one meetings with institutional investors and conducts small meetings as needed.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Compliance Rules and Compliance Manual have provisions concerning responsibilities concerning stakeholders and there are activities to give all employees a sound awareness and understanding of these responsibilities.
Implementation of Environmental Activities, CSR Activities etc.	We have extensive CSR activities in accordance with our basic philosophy that more social contributions by companies will absolutely make Japan better. We also believe that people are vital elements of society and society is vital to the existence of companies. This is why we believe a company must be essential for both people and society by making contributions to human and social progress. Earnings are not the only standard we use for reaching decisions. We firmly believe that business activities themselves must produce benefits for society. We also believe that companies should return part of their earnings and human resources to society. Earnings are one key to the success of a company. But making profits and playing a role in social progress go hand in hand. This thinking explains why we regard the use of some earnings for CSR as an obligation of all companies. For more information, please visit our website.
Development of Policies on Information Provision to Stakeholders	Apaman posts its disclosure (IR) policy on its website.

IV. Matters Related to the Internal Control System

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

- (1) System for ensuring that directors and employees of Apaman and its subsidiaries perform their duties in compliance with laws, regulations and the Articles of Incorporation and systems for ensuring proper business operations of these companies
- As the parent company within the holding company structure of the Apaman Group, Apaman requires a system for ensuring that the directors of Apaman and its subsidiaries perform their duties in compliance with laws and regulations. To strengthen the compliance framework, there is an outside director and several outside Audit & Supervisory Board members with professional knowledge. There are also a number of rules in place, such as Board of Directors Rules, Group Management Committee Rules, Job Authority Rules (including the authority for making decisions), Rules for Segregation of Duties, Group Company Management Rules, and other rules. Consolidated subsidiaries also follow these rules in a proper and legal manner.
 - The Apaman Group has a Group Management Committee that consists of the directors of Apaman and its major subsidiaries and managers at the level of deputy executive manager and higher. By facilitating the mutual sharing of important information throughout the Apaman Group, this committee helps ensure that the business operations of the entire Group are conducted properly and in compliance with laws and regulations.
 - The Apaman Group has a Compliance Committee that consists of compliance members who are selected from among the executives and employees of Apaman and its major subsidiaries. Committee members share information about important facts concerning compliance at Apaman and these subsidiaries. This provides a framework for ensuring that the entire Apaman Group complies with laws and regulations and conducts business operations properly.
 - Apaman and its subsidiaries have formulated the Compliance Manual that includes the Group's management philosophy, management policies, specific standards of behavior that Apaman and its subsidiary directors and employees should follow, and other items. There are activities to give everyone at Apaman and its subsidiaries a sound awareness and understanding of this information.
 - Apaman has internal and external compliance helplines for the rapid discovery and resolution of violations of laws and regulations, violations of internal rules and other problems at the Apaman Group. This helpline makes it possible to receive internal reports of these violations and problems at Apaman and its subsidiaries.
 - Apaman and its subsidiaries hold employee training programs periodically in order to raise awareness of the importance of compliance with laws and regulations and create a stronger commitment to compliance.
 - Apaman has an Internal Audit Department directly under the president and representative director and that is independent of Apaman and its subsidiary departments that operate businesses. Internal audits thoroughly examine, audit and monitor business processes of Apaman and its subsidiaries in order to cover many items, including the establishment and operation of internal controls for financial reports. As a result, in a case where there is any violation of compliance or other problem involving how an employee performs his/her duties at Apaman or its subsidiary, there is a system for the timely and appropriate implementation of preventive measures and measures for improvements.
 - Responses to anti-social forces are another element of compliance at Apaman and its subsidiaries. The Apaman Group positions the rejection of any relationship with anti-social forces as one of the Group's shared important measures. Major important contracts, transaction documents and other documents include provisions concerning the elimination of anti-social forces.

(2) System for the storage and management of information about the performance of duties by directors at Apaman and its major subsidiaries

- Apaman and its major subsidiaries share information, procedures and other items concerning the system for information storage and management. There is a unified electronic decision-making system, including for these subsidiaries, and information is stored and managed in accordance with Decision-making Rules, Document Management Rules, Personal Information Management Rules, Information Management Rules and other rules. These rules are accessible to all executives and employees of Apaman and its major subsidiaries and there are activities to give everyone a sound awareness of these rules.
- Documents involving the General Meetings of Shareholders, Board of Directors meetings, Group Management Committee meetings and other important meetings of Apaman and its major subsidiaries are stored and managed for the length of time stipulated by applicable laws and regulations or internal rules. These documents include minutes of these meetings, documents associated with the meetings, financial statements and other legal documents as well as decision and other important documents.

(3) Rules and other systems for the management of the risk of losses at Apaman and its subsidiaries

- Apaman and its subsidiaries have established Risk Management Rules and risk management guidelines as the basis for the risk management framework. In addition, there is a basic policy for information security and other guidelines involving IT in order to maintain rigorous information security at Apaman and its subsidiaries. The risk management framework has been assembled in accordance with these rules and guidelines.
- The Apaman Group has a Risk Management Committee consisting of risk management members selected from among the executives and employees of Apaman and its major subsidiaries. The committee produces a risk control matrix for risk factors at Apaman and these subsidiaries. This matrix is a diagram of major business task flows that includes risk factors at major consolidated subsidiaries and business tasks and control functions that are covered by the matrix. The matrix is used as a system for monitoring and managing risk.
- There are three major risk categories at Apaman and its subsidiaries: 1) Events that could directly or indirectly cause economic losses; 2) Events that could force the suspension or termination of business operations; and 3) The possibility of damage to our reputation and the public perception of the Apaman brand. Furthermore, the departments and business units of Apaman and its subsidiaries have prepared a list of risk factors in order to categorize specific items that are related to business purposes and could have a significant impact on the Group's management.
- For the management of risk at Apaman and its subsidiaries, there are Emergency Management Rules that are used for an event that causes a particularly serious crisis or other emergency. If such an event occurs, an emergency response headquarters is established where the president acts as the executive chief (general manager). Specialized knowledge and functions from within the Apaman Group and external sources as well as opinions of experts are then brought together to execute measures for preventing the expansion of damage and losses and ending the emergency. This response system facilitates proper and fast actions on a continuous basis.

(4) System for ensuring the efficient performance of duties by the directors of Apaman and its subsidiaries

- The representative director and other directors of Apaman concurrently serve as the directors of major group companies. This makes it possible for the directors to perform their duties in accordance with a unified set of rules for the entire Apaman Group. This contributes to the overall uniformity and consistency of the holding company structure, including the group subsidiaries.
- The Apaman Group has a Group Management Committee that consists of the directors of Apaman and its major subsidiaries and managers at the level of deputy executive manager and higher. This committee has the roles of

establishing and implementing efficient and reasonable management and business plans for Apaman and its subsidiaries and of sharing and utilizing important information. This makes it possible to use synergies among group companies for growth, coordination and other benefits involving business operations.

- Apaman and its major subsidiaries have a unified accounting management system for the entire Group in order to perform group accounting procedures efficiently. In addition, Apaman handles loans and other financing among group companies in order to procure funds efficiently for the entire Apaman Group.
- The subsidiaries of Apaman use the executive officer system for the efficient performance of duties by directors who are also Apaman executives. Using this system clearly separates the directors' role of management oversight from the role of conducting business operations. This framework therefore enables the directors to perform their duties efficiently and effectively.

(5) System for reporting matters pertaining to the performance of duties by directors of subsidiaries to Apaman

- The Group Management Committee, which consists of the directors of Apaman and its major subsidiaries and managers at the level of deputy executive manager and higher, facilitates the mutual sharing of important information for the entire Apaman Group. This committee allows Apaman to receive timely reports of matters involving how subsidiaries conduct business operations. Apaman believes the committee is one method for ensuring the effectiveness of corporate governance for the consistent growth of the Apaman Group and the medium to long-term growth of corporate value.
- For matters involving important decision-makings by subsidiaries for a certain level, the Group Company Management Rules of Apaman require subsidiaries in advance to receive approval of or to submit a report to the Apaman Board of Directors, the director overseeing the company and the business unit involved.
- Apaman departments involved with internal controls and the Internal Audit Department perform reexaminations of the internal controls of the Apaman Group, enlarge the functions of supervising and checking the operation of these controls, submit orders for improvements, and take other actions for the purpose of ensuring that there are suitable consolidated internal controls and that the controls are used. Apaman takes many actions for strengthening group compliance and internal control systems in order to conduct business operations properly while maintaining a unified internal control system.

(6) Matters concerning employees requested to assist Audit & Supervisory Board members with their duties and independence of these employees from directors

- When a member of the Audit & Supervisory Board requests the appointment of one or more employees to provide assistance for his/her duties, Apaman quickly names suitable individuals in accordance with the number of people needed, the specific requirements, the periods and the reason for the request.
- Employees appointed to assist the Audit & Supervisory Board members follow the instructions and orders of these members when performing this assistance. The purpose is to increase the independence of these employees from the Apaman directors and ensure the effectiveness of directives that Audit & Supervisory Board members give to the employees. In addition, performance assessments, job reassignments, penalties and other actions involving these employees must be approved in advance by the Audit & Supervisory Board members.

(7) System for submitting reports to the Audit & Supervisory Board members by Apaman directors and employees or directors, Audit & Supervisory Board members and employees of group subsidiaries; system for preventing negative actions concerning individuals who submit these reports because of the submission of the report

- Regular meetings of the Board of Directors (or resolutions in writing that are deemed to be Board of Directors meetings pursuant to Article 370 of the Companies Act and Article 21 of the Apaman Articles of Incorporation)

are held at least once every month. The purposes of these meetings, which are also attended by Audit & Supervisory Board members, are to share information involving reports, discussions, proposals and other matters and to achieve a unified stance regarding these items.

- The full-time Audit & Supervisory Board member is notified in advance of agenda items and proposals at each week's Group Management Committee meeting. This Audit & Supervisory Board member can attend the meeting when the member deems it necessary. In addition, Minutes of Group Management Committee meetings are prepared quickly after each meeting and made available to the Audit & Supervisory Board members in order to give all members access to this information.
The Audit & Supervisory Board members also attend regular meetings of the Compliance Committee and Risk Management Committee. This allows the Audit & Supervisory Board members to receive reports about significant facts concerning compliance at Apaman and its major subsidiaries, a risk management system and other matters.
- The Audit & Supervisory Board members use the shared electronic decision-making system of Apaman and its major subsidiaries in order to examine individual decisions made electronically. These examinations enable these members to fulfill their responsibilities and functions of checking and overseeing how business operations are conducted for the entire Apaman Group.
- The Audit & Supervisory Board members use the Group Management Committee, Compliance Committee and other channels to receive reports required by these members. This provides a framework for checking and overseeing how business operations are conducted for the entire Apaman Group.
- When the Internal Audit Department becomes aware of significant information or a significant internal audit report concerning Apaman or its subsidiary due to an audit, there is a system for ensuring that this information is reported to the Audit & Supervisory Board members, as stipulated in the Internal Auditing Rules.
- Apaman has internal and external compliance helplines to receive internal reports of violations of laws and regulations, violations of internal rules and other problems at Apaman and its subsidiaries. Information in reports is quickly passed on to the Audit & Supervisory Board members.
- The Compliance Helpline Detailed Rules prohibit any negative actions concerning individuals who submit these reports to an Audit & Supervisory Board member because of the submission of the report. There are activities to give everyone at Apaman and its subsidiaries a sound awareness and understanding of this rule.

(8) Matters on Policy for expenses and debts incurred in association with the performance of duties by Audit & Supervisory Board members

Audit & Supervisory Board members can request the advance payment of expenses and other payments, in accordance with Article 388 of the Companies Act, in association with the performance of their duties. Apaman responds to these requests by quickly conducting the required procedure, except when it is obvious that the requested expenses or debts are not necessary for performing the duty of the Audit & Supervisory Board member.

(9) Other systems for ensuring that audits by the Audit & Supervisory Board members are performed effectively
All departments of Apaman and its subsidiaries assist with audits performed by the Audit & Supervisory Board members. In response to the requests of these members, employees and others at departments being audited explain, prepare and edit relevant documents and provide other assistance. Individuals at departments involved with internal controls and Internal Audit Department also assist with audits performed by the Audit & Supervisory Board members by providing assistance as requested.

2. Basic Views on Eliminating Anti-social Forces

(1) Basic views on eliminating anti-social forces

The basic policy of Apaman is to reject any relationship whatsoever with anti-social forces. This policy is based on Apaman's management philosophy and management policies, Compliance Rules and Compliance Manual.

Furthermore, the Compliance Rules and Compliance Manual clearly state that Apaman as an organization firmly rejects all improper demands or pressure from anti-social forces and this policy is publicized within the Apaman Group and externally.

(2) System for eliminating anti-social forces

1) Organizational system

Apaman has a department at its head office that is responsible for overseeing and controlling activities concerning anti-social forces.

In addition, there is a system in place for this department to receive a report and act immediately whenever an improper demand or other communication is received from an anti-social force.

2) Cooperation with external agencies and organizations and collection and management of information about anti-social forces

Apaman's administrative departments work closely with the police, attorneys and other external parties in order to share the most recent information about anti-social forces and to make people at Apaman aware of this information.

3) Increasing employee awareness of policies concerning anti-social forces

Apaman has established the Compliance Manual and it is used for making employees more aware of the importance of measures concerning anti-social forces.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted
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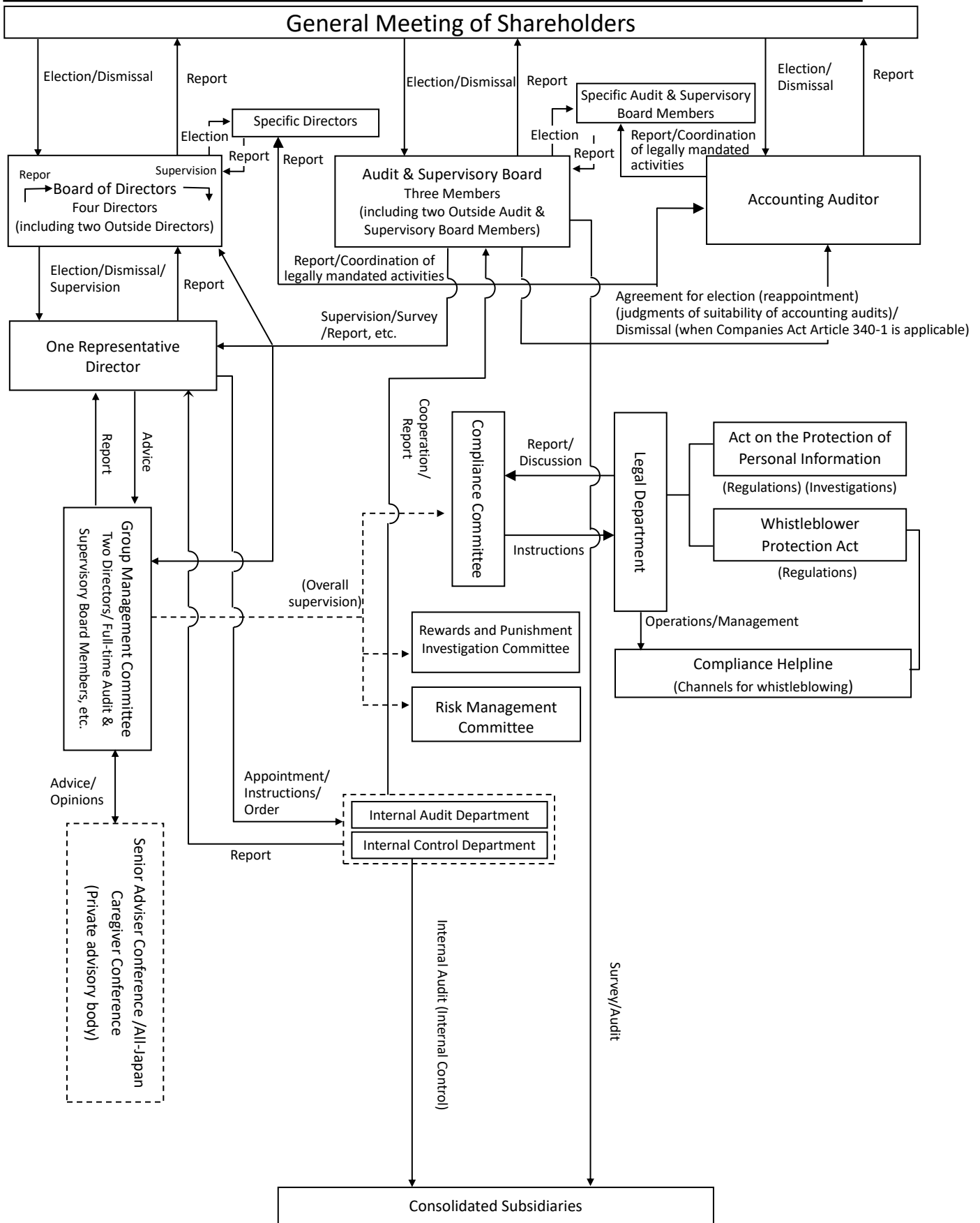
Supplementary Explanation

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2. Other Matters Concerning Corporate Governance System

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Flowchart for Governance and Internal Controls (Corporate governance using the holding company structure)



Flowchart for Timely Disclosure System (Summary)

