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Topre Corporation

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Ticker symbol: 5975

<https://www.topre.co.jp/>

The current situation of the corporate governance of our company is as follows:

I The basic idea toward corporate governance, and the basic information about the capital structure, attributes of the enterprise and others

1. The basic idea

The mission of Topre Group is to create products and services by utilizing our distinguished technologies and thereby contribute to society. We shall carry out our business activities from a high ethical perspective and common sense, as an international company needed and respected by society, not as a company that seeks solely economic results. The staff of Topre Group working around the world shall strive to follow the corporate governance system by sharing this idea and seeking to contribute to society and continual prosperity as its goal.

【Reasons for not implementing each principle of Corporate Governance Code】

【Supplemental principle 4-1-3 Roles and responsibilities of the Board of Directors (1)】

With respect to the practice of the conventional plan on the successor of the Chief Executive Officer, our company has been considering embodiment of the supervisory way by the Board of Directors for some time, and we will continue to consider the proactive involvement and appropriate method of supervision about the plan of nurturing successors of the CEO.

【Supplemental principle 4-3-2, 4-3-3 Roles and responsibilities of the Board of Directors (3)】

With the realization that nurturing and selection/discharging of a CEO who is capable of making appropriate and decisive management decisions in response to the change of environment would be an important strategic decision, with an eye on sustainable growth and medium-to-long-term enhancement of corporate value, we will also consider the objective, timely, and transparent procedure in the formulation and operation of the plan for successors of the CEO, because there is a close relationship between nurturing / selecting of a CEO and the discharging procedure of a CEO when he/she fails to bring their ability into full play.

【Supplemental principle 4-10-1 Practical use of arbitrary system】

Our company currently has two independent outside directors, who are providing to our overall business operations the appropriate involvement and advice from an objective and independent standpoint based on their professional legal and accounting knowledge. We have been heretofore receiving involvement and advice on discussions as arbitrary members of the compensation committee and on appointment of executives of top management, etc., and we will consider the procedure for receiving further appropriate involvement and advice of independent outside directors, including the establishment of an arbitrary appointment committee.

【Disclosure based on each principle of Corporate Governance Code】 Updated

【Principle 1-4 Cross-shareholdings policy】

(Policy on cross-shareholding)

Our Group has the press-related products business, the constant temperature logistics products business, and other businesses such as manufacturing and sale of air-conditioning equipment and electronic equipment, as our main businesses. Primarily for the purpose of enforcing the cooperative relationships with many corporations and maintaining good relationships with financial organizations in that process, we are making judgments from an overall perspective, based on whether it is helpful for the sustainable growth of our company, whether it is helpful for medium-to-long-term enhancement of corporate value, etc., including curtailment of possession.

(Verification of adequacy of possession)

The Board of Directors has the system of verifying the adequacy of possession in a comprehensive manner by conducting a qualitative assessment of the necessity of possessing and cooperative relationship on transactions, based on the quantitative evaluation of operating performance and dividend payout ratio about cross-shareholding made by the general affairs division, which is the division responsible for stock transactions, at the time of settlement of accounts. As a result of the verification, we have decided to continue holding 22 stocks this fiscal year.

(Exercise of voting right on cross-shareholdings)

In exercising the voting right on cross-shareholdings, our company will do so on a subject-by-subject basis by making an overall evaluation on whether it matches our company's policy on cross-shareholdings, whether it contributes to the sustainable growth of the corporation in question, and whether it is helpful for medium-to-long-term enhancement of corporate value, etc.

【Principle 1-7 Transactions among related parties】

Our company provides as a rule that when there is a certain transaction with directors of the company, it is subject to the requirement of prior approval by the Board of Directors and of reporting after the fact, based on the regulations of Board of Directors as well as laws and the Articles of Incorporation, as the procedure to make sure that no harm is done to the benefits of the company and the common benefit of the shareholders, and our company is monitoring it.

【Principle 2-6 Fulfillment of function as the asset owner of a company pension】

Our company has adopted a defined-benefit corporate pension plan, and the Topre corporate pension fund is positioned as the asset owner. Our company is engaging in maintenance of the system in which the fund can fulfill its function as the asset owner to aim for stable and appropriate

management of the reserve fund, by dispatching the employees with the knowledge and experience from the sections in charge of workers as well as of financing as they relate to the corporate pension to the office of the corporate pension fund, and by placing our company's manager in charge of finance in the asset management committee that deliberates on the effective management of the reserve owned by the fund. Also, the reserve fund has been entrusted to each financial institution and controlled in a way that no conflict of interest will occur between the fund's beneficiaries and the company.

【Principle 3-1 Fullness of disclosure of information】

1. Regarding what the company aims for (management philosophy, etc.), management strategy, management plan

Our Group has formulated the "Management Philosophy" as the philosophy to be shared by the group. As the management strategy / management plan, we have also formulated and implemented Medium-term Management Plan for years. With regard to the 15th Medium-term Management Plan that was supposed to start this fiscal year (FY2020), we have postponed its announcement due to the difficulties in reasonably determining target values. We are not able to fix the new date of the announcement yet, but will release it when it is fixed.

Basic Philosophy: <https://www.topre.co.jp/company/philosophy.html>

2. The basic idea and the basic policy on corporate governance

(The basic idea)

Please refer to "1.1 The basic idea" of this report.

(The basic policy)

- (1) We will strive to ensure the rights and equality of shareholders.
- (2) We will strive for the appropriate cooperation with stakeholders other than shareholders.
- (3) We will strive to ensure the appropriate disclosure and transparency of information.
- (4) We will carry out the management responsibility and decision-making on business execution as well as supervisory responsibility as the obligations / roles of the Board of Directors, by making transparent, fair, prompt and decisive decisions.
- (5) We will strive for constructive dialogues with shareholders.

3. The policy and procedure in deciding the compensation of directors

Please refer to "2.1. [Compensation of Directors]" of this report.

4. The policy and procedure in nominating candidates for directors and auditors

(Policy)

As for candidates for directors, we nominate on the "right person for the right position" basis, in the scale that conforms to the nature of the business of our company, by giving comprehensive consideration to such matters as the contribution to the Board of Directors that makes transparent, fair, prompt and decisive decisions depending on each business department and the allocation of business operations, and the knowledge, experience and character that the person has.

As for candidates for auditors, we nominate on the "right person for the right position" basis, by giving comprehensive consideration to such matters as whether the person is familiar with the nature of the business operations of our company, the knowledge on finance, accounting and law, and the contribution to the responsibility and role as an auditor.

(Procedure)

We nominate the candidates for directors and auditors at the Board of Directors based on the above-referenced policy, and appointment and dismissal will be made at a general meeting of shareholders.

5. Explanation of each appointment and nomination

President explains about the candidates for directors and auditors at the Board of Directors, and main careers and the reason for the selection, etc., of each candidate are written on the notice of convocation of a general meeting of shareholders.

【Supplemental principle 4-1-1 Roles and responsibilities of the Board of Directors (1)】

Our company is a company with a Board of Directors, and as such has a system in which matters designated by laws and the Articles of Incorporation as well as any matters that are important to the management of our company will require deliberation and approval of the Board of Directors pursuant to the regulations of the Board of Directors. Matters that do not require deliberation and approval of the Board of Directors are delegated under the regulations of approving authority, depending on the nature of the business operations, taking into account its subject, reference money amount and the nature.

【Principle 4-8 Effective utilization of independent outside directors】

In the business development of our company, we have adopted the system with two outside directors for the purpose of enhancing the transparency of management and supervisory functions by incorporating the adequate opinions from the expert knowledge and the objective position, aiming for the sustainable growth and medium-to-long-term enhancement of corporate value of our Group, and enforcing the governance system of our company.

【Principle 4-9 Evaluation criteria for independence and qualification of independent outside directors】

We have appointed two independent outside directors, based on the evaluation criteria of the requirements of outside directors provided in the Companies Act and the independence standard laid down by the Financial Instruments Exchange where we are listing our stock.

【Supplemental principle 4-11-1 Presupposition for ensuring effectiveness of the Board of Directors and the Board of Auditors】

As for the candidates for directors, we nominate on the "right person for the right position" basis, and selecting in a scale that conforms to the nature of the business of our company as the basic idea, by giving comprehensive consideration to such matters as the contribution to the Board of Directors that makes transparent, fair, prompt and decisive decisions depending on each business department and the allocation of business operations, and the knowledge, experience and character that the person has.

【Supplemental principle 4-11-2 Presupposition for ensuring effectiveness of the Board of Directors and the Board of Auditors】

Important concurrent holding of positions, including concurrent holding of multiple positions of other public corporations by directors and auditors are disclosed in the business reports and reference documents for a general meeting of shareholders.

【Supplemental principle 4-11-3 Presupposition for ensuring effectiveness of the Board of Directors and the Board of Auditors】

Given the management responsibility and supervisory responsibility required of the Board of Directors, we will continue looking into the means of evaluating and analyzing its effectiveness and the means of disclosing the summary of its result.

【Supplemental principle 4-14-2 Training of directors and auditors】

Our company has been giving training to directors and auditors at the time of assumption of their offices about explanations of their responsibilities and roles and necessary knowledge for performing these responsibilities and roles. After the assumption of office, we provide the opportunities for necessary training, such as outside lectures, according to the role of each director and auditor.

【Principle 5-1 Policy on constructive dialogues with shareholders】

We set the following policies on system development and engagement for promotion of dialogues with shareholders.

- (1) We will proactively develop IR activities by designating the manager who supervises the overall dialogues with shareholders and pays attention to the realization of constructive dialogues as the director in charge of IR and by having the president and the director in charge of IR take the central role.
- (2) In developing the IR activities, those in charge of general affairs, legal affairs, accounting, finance, etc., will support IR activities by exchanging information at least once a month.
- (3) Our company is actively creating the opportunities for promoting the dialogues with shareholders through financial results briefings directed to analysts and company information sessions directed to individual investors, as a means of dialogues other than private meetings.
- (4) Important opinions and concerns grasped from dialogues with shareholders are reported to the Board of Directors by the director in charge of IR.
- (5) We disclose insider information in a timely and appropriate manner, pursuant to the action guidelines of our Group, and we control important facts not yet officially announced, pursuant to regulations for prevention of insider trading.

2. Capital Structure

Ratio of stock holding by foreigners Updated 20% or more and below 30%

【Situation of large shareholders】 Updated

Name	Number of shares owned (shares)	Ratio(%)
Japan Trustee Services Bank, Ltd.	6,074,700	11.55
The Master Trust Bank of Japan, Ltd.	3,058,263	5.81
Naoko Ishii	2,660,004	5.05
Resona Bank, Limited	2,493,400	4.74
Mitsubishi UFJ Trust and Banking Corporation	2,491,084	4.73
Nippon Life Insurance Company	2,135,649	4.06
Sumitomo Life Insurance Company	1,429,400	2.71
Topre Client Stock Ownership	1,405,100	2.67
Mizuho Bank, Ltd.	1,265,364	2.40
Government of Norway	1,131,834	2.15

Existence of Controlling Shareholder (excluding parent company) -----

Existence of Parent Company No

Supplementary Explanation

3. Enterprise Attributes

Exchange for listing, and section of exchange	Tokyo Stock Exchange First Section
Accounting period	March
Type of industry	Metal products
Number of employees (consolidated) at the end of the prior business year	Over 1,000

Gross sales (consolidated) in the prior business year	100 billion yen or more and under 1 trillion yen
Number of consolidated subsidiaries as of the end of the prior business year	10 or more and under 50 companies

4. Policy on the way to protect minority shareholders in conducting transactions, etc., with controlling shareholders

5. Other special conditions that may have a major impact on corporate governance

Our company has no parent company or listed subsidiary. Also, there is no fact that is deemed to have a major impact on corporate governance.

II Situation of the corporate governance system of the management and control organization and others for decision-making, execution and supervision on management

1. Matters regarding organizational structure, organizational operation, etc.

Organizational form	Company with auditors
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【Regarding Directors】

Number of Directors according to the Articles of Incorporation	15 persons
Term of Director according to the Articles of Incorporation	2 years
Chairman of the Board of Directors	President
Number of Directors	12 persons
Status of appointment of outside Directors	Appointed
Number of outside Directors	2 persons
Number of outside Directors who are designated as independent officers	2 persons

Relationship with the Company (1)

Name	Attributes	Relationship with the Company ^(*)												
		a	b	c	d	e	f	g	h	i	j	k		
Tsuyoshi Takada	Lawyer													
Naoshi Ogasawara	Certified Accountant								○					

※ Selected items on relationship with the company

※ If the person is applicable to the item "now or recently"「○」, if applicable "in the past", 「△」

※ If a close relative of the person is applicable to the item "now or recently"「●」, if applicable "in the past",「▲」

a Person who executes the business of a listed company or its subsidiary

b Person who executes the business or a director who does not execute the business of the parent company of a listed company

c Person who executes the business of a fellow subsidiary of a listed company

d Party who deals with a listed company as its main customer, or a person who executes its business

e Major customer of a listed company or a person who executes its business

f Consultant, accounting expert and legal expert who receives a substantial amount of money or assets other than officer's fee from a listed company

g Major shareholder of a listed company (if it is a corporation, the person who executes the business of that corporation)

h Person who executes the business of a customer of a listed company (those who do not fall under d, e, or f) (only the person him/herself)

i Person who executes the business of a company that stands in a cross-appointment relationship with an outside officer (only the person him/herself)

j Person who executes the business of a company that receives contributions from a listed company (only the person him/herself)

k Others

Relationship with the Company (2)

Name	Independent Director	Supplementary explanation on applicable items	Reason for appointment
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Tsuyoshi Takada	○	----	We appointed him as an outside director because he has expert knowledge as a lawyer and deep insight on corporate legal work, and he also stands in a position that is independent of the persons who execute the business of our company. We determined that, even as an independent officer, he presents no risk of generating a conflict of interest with general shareholders, and that the objective independence to ensure the trust of shareholders/investors could be maintained.
Naoshi Ogasawara	○	Mr. Naoshi Ogasawara had been working at Taiyo ASG Audit Corporation (currently, Grant Thornton Taiyo LLC) from April 2007 to September 2008, as its representative employee. That audit corporation has been our company's accounting auditor from 2007 to the present.	We appointed him as an outside director of our company because he has rich experience and high views in the financial and accounting areas cultivated as a certified accountant, and he also stands in a position that is independent of the persons who execute the business of our company. Because there is no contractual relationship currently between the audit corporation Mr. Naoshi Ogasawara used to work at and Mr. Naoshi Ogasawara, we determined that, even as an independent officer, he presents no risk of generating a conflict of interest with general shareholders, and that the objective independence to ensure the trust of shareholders/investors could be maintained.

Existence of an arbitrary committee equivalent to appointment committee or compensation committee Yes

State of establishment of arbitrary committees, composition of committee members, attributes of chairperson

	Name of committee	All members (persons)	Fulltime members (persons)	Inside directors (persons)	Outside directors (persons)	Outside experts (persons)	Others (persons)	Chairperson
Arbitrary committee equivalent to appointment committee	—	—	—	—	—	—	—	—
Arbitrary committee equivalent to compensation committee	Compensation Committee	4	0	2	2	0	0	Inside directors

Supplementary Explanation

We have set up a Compensation Committee as an arbitrary decision-making body comprised of all outside directors (currently 2) along with the Representative Director, with the aim to ensure the objectivity and reinforcement of supervision regarding the process to determine the amount of compensation of Directors.

【Regarding Auditors】

Establishment of Board of Auditors	Being set up
Number of auditors per the Articles of Incorporation	5 persons
Number of auditors	3 persons

Situation of cooperation of auditors, accounting auditor, and inside audit department

Updated

We elected Grant Thornton Taiyo LLC as our accounting auditor, and receive accounting audit of our accounting treatments and financial results during the term, and we thereby strive to ensure proper accounting treatment and transparent management. Our auditors and the accounting auditor have been cooperating with each other by exchanging opinions in drawing up the annual auditing plan and making the accounting audit reports.

The inside Audit Department, which is the office directly controlled by the president, has the audit department (3 persons), periodically conducts visiting audits of business offices based on the audit plan for overall business operations including transactions during the term, and performs the auditing of accounting and execution of businesses in cooperation with auditors and the accounting auditor. The audit department also strives for exchange of opinions and sharing of information by periodically reporting its activity details to the president and the Board of Auditors.

Status of appointment of outside auditors	Appointed
Number of outside auditors	2 persons
Number of outside auditors who are designated as independent officers	2 persons

Relationship with the company (1)

Name	Attributes	Relationship with the company (※)													
		a	b	c	d	e	f	g	h	i	j	k	l	m	
Jun Watanabe	Lawyer														
Kazuaki Hosoi	Certified accountant								△						

※ Selected items on relationship with the company

※ If the person is applicable to the item "now or recently"「○」, if applicable "in the past",「△」

※ If a close relative of the person is applicable to the item "now or recently"「●」, if applicable "in the past"「▲」

- a Person who executes the business of a listed company or its subsidiary
- b Director who does not execute the business of a listed company or its subsidiary or accounting advisor
- c Person who executes the business or a director who does not execute the business of the parent company of a listed company
- d Auditors of the parent company of a listed company
- e Person who executes the business of a fellow subsidiary of a listed company
- f Party who deals with a listed company as its main customer, or a person who executes its business
- g Major customer of a listed company or a person who executes its business
- h Consultant, accounting expert and legal expert who receives a substantial amount of money or assets other than officer's fee from a listed company
- i Major shareholder of a listed company (if it is a corporation, the person who executes the business of that corporation)
- j Person who executes the business of a customer of a listed company (those who do not fall under f, g, or h) (only the person him/herself)
- k Person who executes the business of a company that stands in a cross-appointment relationship with an outside officer (only the person him/herself)
- l Person who executes the business of a company that receives contributions from a listed company (only the person him/herself)
- m Others

Relationship with the Company (2)

Name	Independent Director	Supplementary explanation on applicable items	Reason for appointment
Jun Watanabe	○	----	We appointed him as an outside auditor because he has rich experience and high views of a legal expert cultivated as a prosecutor and lawyer, and he also stands in a position that is independent of the persons who execute the business of our company. Also, we determined that, even as an independent officer, he presents no risk of generating a conflict of interest with general shareholders, and that the objective independence to ensure the trust of shareholders/investors could be maintained.

Kazuaki Hosoi	○	Mr. Kazuaki Hosoi had been working at Chiyoda Audit Corporation (the firm name thereafter changed by mergers, etc., to Shinko Audit Corporation, to Chuo Shinko Audit Corporation, to Chuo Audit Corporation, to Chuo Aoyama Audit Corporation, to Misuzu Audit Corporation) from November 1975 to September 2006. During his tenure, from the March term of 1976 to the March term of 2007 (temporarily in the March term of 2007, it was accounting auditor), the said audit corporation was our company's accounting auditor.	We appointed him as an outside auditor because he has rich experience and high views of finance and accounting cultivated as a certified accountant and a tax accountant, and he also stands in a position that is independent of the persons who execute the business of our company. Because there is no contractual relationship currently between the audit corporation Mr. Kazuaki Hosoi used to work at and Mr. Kazuaki Hosoi and our company, we determined that, even as an independent officer, he presents no risk of generating a conflict of interest with general shareholders, and that the objective independence to ensure the trust of shareholders/investors could be maintained.
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【Regarding Independent Officers】

Number of independent officers	4 persons
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Other matters regarding the independent officers

Our company designated as independent officers all the outside officers who satisfy the qualification of an independent officer.

【Regarding Incentives】

Status of implementation of measures regarding giving of incentives to Directors	Adopted the performance-based compensation system
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Supplementary explanation on the applicable item

We adopted the share-based payment system that is linked with the medium-to-long-term business results of the company in the 121st annual meeting of shareholders held on June 28, 2016. Also, as for bonuses, we link up the bonus distribution with the company's performance and contribution of the individual Director to the business results.

Those to receive stock options	
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Supplementary explanation on the applicable item

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【Regarding Directors' Fees】

Status of disclosure (of each Director's compensation)

Only a part is disclosed separately

Supplementary explanation on the applicable item

Updated

The compensation for directors of our company is 252,000,000 yen (of which 20,000,000 yen is for outside directors), and the compensation for auditors is 39,000,000 yen (of which 18,000,000 yen is for outside auditors). The recipients are 12 directors and 3 auditors. The compensation includes bonuses for this business year, and does not include the employee's salary of those directors who are also employees.

Existence of policies for determining the amount of compensation or its method of calculation

Yes

Disclosure of policies for determining the amount of compensation or its method of calculation

Our company has set the following policies for determining the compensation of directors, etc.

1. Compensation system that enhances motivation to perform his/her duties as a director
2. Compensation system that is linked with business performance
3. Compensation system that is appropriate to the roles and responsibilities of a director

Based on these policies, the compensation system for directors consists of the basic compensation, the compensation linked with short-term business results, and the compensation linked with medium-to-long-term business results. The compensation for auditors is the basic compensation only.

【Compensation for Directors】

- Basic compensation

As for the monthly compensation, the payment to each Director is determined by the conference of the Compensation Committee, which is the arbitrary decision-making organ composed of the representative director and outside directors.

- Compensation linked with short-term business results

As for the bonus linked with business results of a single year, the payment to each Director is determined by taking into consideration the degree of contribution of each director to the business results and others, by the conference of the Compensation Committee, which is the arbitrary decision-making organ composed of the representative director and outside directors.

- Compensation linked with medium-to-long-term business results

The company's own stock, etc., is provided by the accumulated value of points given in accordance with the degree of accomplishment of business targets in each business year.

The compensation for outside directors consists only of the basic compensation not linked with business results, because of the point of view that their role is to supervise the management from the standpoint that is independent of the persons who execute the business.

【Compensation for Auditors】

- Basic compensation

The payment to each auditor is determined by the Board of Auditors.

Their compensation is not linked with the business results of the company, due to the point of view that their function is to audit the performance of duties by directors.

【Support system for outside directors (outside auditors)】

We are working to ensure that outside directors and outside auditors grasp the contents of business sufficiently through the Board of Directors and the Board of Auditors. We also provide materials in advance of their attendance at the Board of Directors so they can give full consideration to said materials. Further, our full-time auditor may contact directly with outside auditors as needed in order to deliver information and materials, etc.

2. Matters regarding the functions of business execution, audit/supervision, appointment, decision of compensation, etc. (Summary of the current status of corporate governance system)

Updated

Our company has a system where the Board of Directors cooperatively takes charge of management responsibilities and business execution responsibilities. At the Board of Directors meeting held every month, the basic management policies are determined and execution of business and its specific plans are deliberated. Also, in addition to the Board of Directors meeting, a monthly meeting is held to intensively discuss the designated themes of each division.

In our company, the Articles of Incorporation provide that the Board of Directors has up to 15 members and that there are up to 5 auditors, which allows us to maintain the proper size to function as a conference body. We have a management system where proactive deliberations and discussions are held in these meetings and prompt and accurate decision-making is done to make flexible and effective management possible. The 12 Directors are made up of 11 men and one woman.

For the surveillance of company management, we have adopted the auditor system. The Board of Auditors is composed of one fulltime auditor and, as outside auditors, one legal expert and one accounting expert, for a total of three members, all of whom are male. The system is such that they attend important meetings, such as the meetings of the Board of Directors to sufficiently keep watch over the business execution of the Board of Directors.

For internal control, we have the Audit Department (3 persons) as an organization directly controlled by the president that executes financial audit and operating audit, and reports to the president and to the Board of Auditors. Our Board of Auditors has enhanced transparency by hiring two

outside auditors who possess expert knowledge, and carries out the function of surveillance and supervision of the management. Also, the Board of Auditors confirms the critical matters of changes in audit policies and accounting systems, etc., by holding regular meetings with the accounting auditor in order to heighten the effect of audit, while maintaining independence. Further, on the audit result, we work to strengthen the function of monitoring of management by actively exchanging opinions.

With respect to the accounting auditor, we have selected Grant Thornton Taiyo LLC and made an audit contract with them for audit based on the Companies Act and the Financial Instruments and Exchange Act. The certified accountants who executed the business for the March 2020 term were Mr. Keita Tajiri and Mr. Gen Takehara, with continuous auditing years of no more than seven. Also, there are assistants for accounting audit, including 12 certified accountants and 31 others.

3 Reason for maintaining our current corporate governance system

Our company adopts the auditor system as the system to monitor the corporate management. We have determined that the outside auditors (2 of them) have, as a lawyer and a certified accountant, expert knowledge of legal and accounting fields, respectively, and express various opinions based on the objective and neutral monitoring that is independent of the persons who execute the business of our company, and are thereby fully performing their role of monitoring the management from the viewpoint of lawfulness, fairness and transparency. Therefore, we intend to maintain the current system, because our company has a governance system that ensures objectivity and independence, as demonstrated by a verification of effectiveness and efficiency of performance of duties of the directors from an independent and fair position, having outside auditors, and because a fully effective monitoring of management can be expected to ensure the trust of shareholders, investors, etc. Nevertheless, we will continue working on developing an even more suitable corporate governance system in response to changes of the environment surrounding our company as well as revisions of laws and regulations.

III Status of implementation of measures regarding shareholders and other stakeholders

1. Situation of the efforts toward vitalization of the general meeting of shareholders and facilitation of exercise of voting rights Updated

	Supplementary explanations
Early mailing of the Notice of a General Meeting of Shareholders	For the 125 th annual meeting of shareholders held on June 25, 2020, we mailed it out on June 4, 2020, which was 4 business days earlier than the mailing day required by law.
Scheduling of the shareholders' meeting that avoided the day many meetings are expected to be held	We held it on June 25, 2020, one business day before the day on which many shareholders' meetings were expected to be held.
Exercise of voting rights by electromagnetic means	We adopted it starting with the 124 th annual meeting of shareholders held on June 26, 2019.
Efforts for participation in the platform for exercising voting rights by electromagnetic means and other improvements of environment for exercising voting rights of institutional investors	We adopted it starting with the 124 th annual meeting of shareholders held on June 26, 2019.
Provision of the notice to convene (summary) in English	We are providing parts other than the audit report of the audit corporation, the audit report of the board of company auditors and the site information map on TDnet and our company's website in English.
Others	At the time of explanation of the reported matters, we try to facilitate the understanding of contents of the reports for the shareholders in attendance, by using PowerPoint. Also, we used the narration style for the purpose of facilitating understanding aurally in the 125 th annual meeting of shareholders held this year, as in the previous year. Further, we usually hold round-table conferences with shareholders after the general meeting of shareholders to facilitate understanding of the business of our company although we were not able to hold one this year due to the spread of the novel coronavirus.

2. Status of activities on IR

	Supplementary explanations	Explanation by representative him/herself
Holding of periodical explanation sessions for individual investors	<p>We attended the following IR events to hold company explanation sessions, and explained our company to individual investors.</p> <ul style="list-style-type: none"> • September 2019 Explanation session for individual investors (Tokyo) • December 2019 SMBC Nikko IR Forum 2019 (Tokyo) • February 2020 Explanation session for individual investors (Osaka) <p>We explained our company's products, characteristics of the technology, business results, our future prospects, etc., for individual investors to have an understanding of our company.</p> <p>We will continue to hold it in various locations once or twice a year. The explanatory materials are available for viewing in the company's website.</p>	Yes
Holding of periodical explanation sessions for analysts and institutional investors	<p>Every year, we hold explanation sessions of full-year business results toward the end of May, and explanation sessions of interim business results toward the beginning of December.</p> <p>The explanation sessions for the year ended in March 2020 were canceled in light of the situation of the spread of the novel coronavirus. However, the explanatory materials are available for viewing on the company's website.</p> <p>And individual meetings with analysts and institutional investors are held whenever necessary.</p>	Yes
Listing of IR materials on our website	<p>We created the "IR Information" page on our website and have published a variety of company information.</p> <p>1. URL:https://www.topre.co.jp/ 2. IR materials published in website news release; summary of accounts; annual securities report; notice of general meeting of shareholders; report to shareholders; fact book;</p>	

	financial performance data; IR calendar
Creation of Division (person in charge) on IR	General Affairs Department IR Section

3. Status of efforts for respecting the position of stakeholders

	Supplementary explanations
Stipulation about respecting the position of stakeholders by internal rules and so forth	Internal Control Committee formulates the "Basic Philosophy" and "Guidelines for Action" to be shared by Topre Group, and it aims to establish a righteous, fair and temperate relationship with stakeholders.
Implementation of environmental protection activities, CSR activities, etc.	We set the goal of establishing environmental protection and safety and health as one of the Guidelines for Action of Topre Group. In our company activities, we aim to be environmentally friendly and strive to save resources by promoting the 3 Rs: Reduce, Reuse and Recycle.

1. Basic idea about internal control system and the status of its maintenance

Basic policies concerning the development of internal control system

(Preamble)

Our company establishes the following basic policies for internal control (basic policies regarding the development of a system to ensure suitability of business operations), based on the Companies Act and the related laws and regulations, and will hereafter revise them as necessary in response to its development and changes of various laws and regulations, etc. The Board of Directors will make these basic policies known to all executives and staff of Topre Group, and will strive to develop the environment in which internal control will function effectively.

1. System to ensure that performance of duties by directors / employees of our Group including subsidiaries will conform to laws and regulations and to the Articles of Incorporation.

1) Executives and staff of our Group will strive to understand the "Basic Philosophy of Topre Group" and "Guidelines for Action", and make efforts to practice them.

2) The Internal Control Committee will manage the creation / operation of the internal control system of each company in our Group. It can also form subcommittees as necessary with limited purposes in order to facilitate the activities effectively and smoothly.

3) The Audit Department receives reports from the compliance subcommittee on a regular basis and will audit the status of execution of compliance activities.

4) When executives and staff of our Group discover any act that violates, or is likely to violate, laws and regulations within the company, they can report it to the "Contact for Internal Reporting" placed within and outside the company.

5) Against the anti-social forces and organizations that threaten the public order and safety of civic society, all employees, along with executives and staff, will deal with it with a resolute attitude, and will strive for severing and expulsion of relationships with the anti-social forces and organizations.

2. System of rules and others regarding the risk of loss in our Group including subsidiaries

1) Each company in our Group classifies risks associated with business activities in accordance with the "Risk Management Rules", and designates a section to take charge of it to continuously monitor the risks.

2) The risk management subcommittee adjusts the roles, etc., among divisions in order to deal with risks affecting the entire company or multiple divisions of the company.

3) The Audit Department receives reports from the risk management subcommittee on a regular basis and will audit the status of execution of risk management of each company of our Group.

3. System to ensure that execution of duties by the directors of our Group including subsidiaries is effectively performed

1) We maintain the system to have the duties efficiently executed, by the rules for allocation of business operations and approving authority, etc., based on internal rules of each company of our Group.

2) We established the "Basic Policy" for the entire company to be shared by directors / employees of our Group, and based on that, we drew up the "Medium-term Management Plan" for the period of 3 business years.

3) We set the achievement target for each business division of every term, based on the "Medium-term Management Plan" of our entire Group. The Board of Directors of our company receives this result report every month, and when the target is not achieved, it requires an analysis of its cause and a report of improvement measures.

4. System regarding retention and control of information on execution of duties of Directors

1) We retain the information on execution of duties of Directors along with related documents pursuant to the document retention rules.

2) When a director or auditor requests viewing of a document, it will be available for viewing at the Headquarters within 3 business days from the date of request at the latest.

5. System to ensure the suitability of business at our corporate group comprised of our company and subsidiaries

1) The members that compose the Internal Control Committee select a member from each company of the Group to establish the system where discussions on internal control, information sharing, and transmission of instructions and requests can be done effectively.

2) The directors of our company receive reports on the status of business execution at the Board of Directors of each subsidiary, and report the contents thereof at the Board of Directors of our company.

6. Matters regarding the employee when the auditor decides to hire an employee to assist in his/her duties; matters regarding the employee's independence from directors; and matters regarding ensuring effectiveness of the auditor's instructions to the employee

1) When the Board of Auditors requests placement of employees to assist in their duties, we will arrange the personnel within 3 months as a rule.

2) Appointment, change and evaluation of the employee to assist the auditor shall be reported in advance to the fulltime auditor and his/her consent will be obtained.

3) The employee to assist the auditor shall perform his/her duties following the directions of the auditor.

7. System regarding report to auditor

Directors and employees of each company of our Group and auditors of each subsidiary will report the matters provided in the internal control rules and matters that are important for internal control to the auditor of our company without delay.

8. System to ensure that the person who made a report to the auditor will not receive adverse treatment for the reason of the reporting

Each company of our Group will not give any adverse disposition such as the dismissal of executives and employees for the reason that they made reports to the auditor of our company.

9. Matters regarding the policy for disposition of expenses and liabilities arising out of execution of duties of the auditor from prepayment and reimbursement of expenses and other duties

For the expenses necessary for the execution of business of the auditor of our company, we prepare a budget in advance and make reimbursement every time a disbursement is made, including the expenses disbursed incidentally or in an emergency.

10. System for ensuring that auditor's audit is performed effectively

The Board of Auditors can make a contract with such experts as lawyers and accountants in its own judgment and receive advice on audit work.

11. System to ensure accuracy of financial reports

- 1) We will revise, abolish and develop the rules related to the "Accounting Rules" based on the accounting regulations and standards, and will strive for its dissemination, thoroughness and observance.
- 2) The Financial Report Control Subcommittee will promote the accuracy and uniformity of businesses on accounting, cost and finance of the entire Group companies in order to promote proper disclosure of financial reports required by the Financial Instruments and Exchange Act.

<Status of Maintenance>

In 2006, we established the Audit Department as an organization directly controlled by the president, and also organized the Internal Control Committee (Compliance Subcommittee, Risk Management Subcommittee, Financial Report Control Subcommittee). The Internal Control Committee makes regular reporting to the Audit Department on the status of implementation of internal control, and the Audit Department makes its evaluation.

As the "Basic approach for expulsion of anti-social forces", we provided in the basic policy on the maintenance of the internal control systems that we will deal with it with a resolute attitude, and we promote the activities for prevention of damage by anti-social forces and organizations, by making it well-known to all employees through in-house training, etc.

2. Basic approach for expulsion of anti-social forces and the status of its preparation

As the "Basic approach for expulsion of anti-social forces", we provided in the basic policy on the maintenance of the internal control system that we will deal with it with a resolute attitude, and we promote the activities for prevention of damage by anti-social forces and organizations, by making it well-known to all employees through in-house training, etc.

1. Introduction of anti-takeover measures

Introduction of anti-takeover measures	None
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Supplementary explanation on the applicable item

2. Other matters regarding corporate governance system, etc.

Our company information is aggregated to the General Affairs Department, which is the department in charge of handling information, and the General Affairs Department determines the necessity of disclosure of information. In doing so, it not only follows the timely disclosure rules of Tokyo Stock Exchange but also makes the decision of whether to disclose from the viewpoint of constructing and maintaining the trust relationship with various parties surrounding our company, such as shareholders, investors and customers, etc.

1. Information about decisions made and settlement of accounts

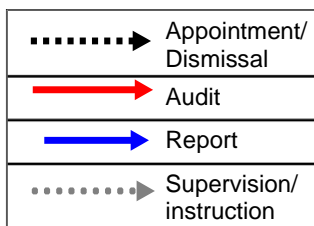
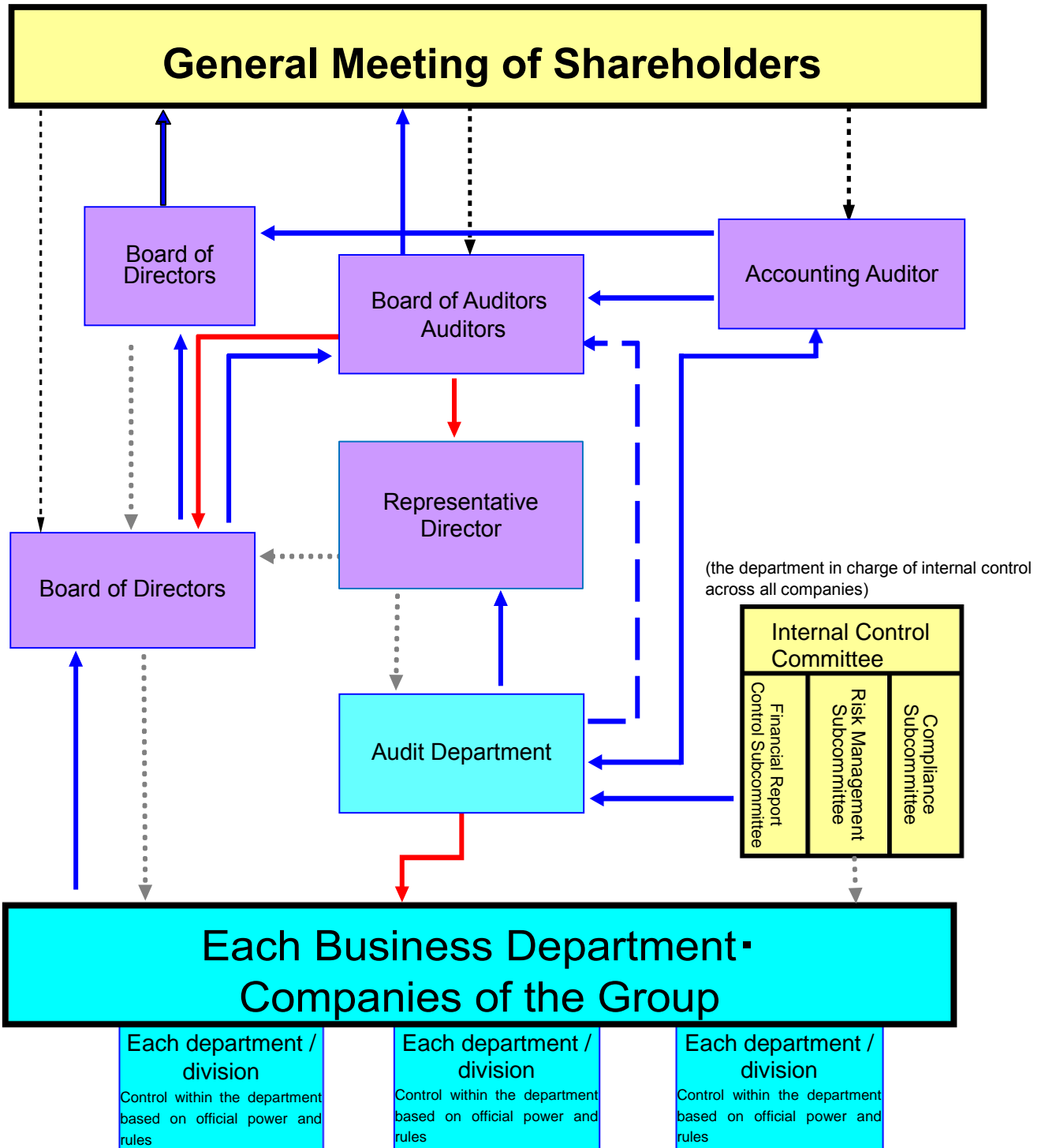
We hold discussions about the company's important issues at the Board of Directors, and the decisions made are immediately transmitted to the General Affairs Department (the department in charge of handling information) through the Office of Executive Secretariat, which is the administrative office of the Board of Directors. Also, the information about settlement of accounts is transmitted to the General Affairs Department (the department in charge of handling information) by the Accounting Department.

2. The information about occurrences is transmitted to the General Affairs Department (the department in charge of handling information) by each business department.

3. Reinforcement of disclosure system of subsidiaries

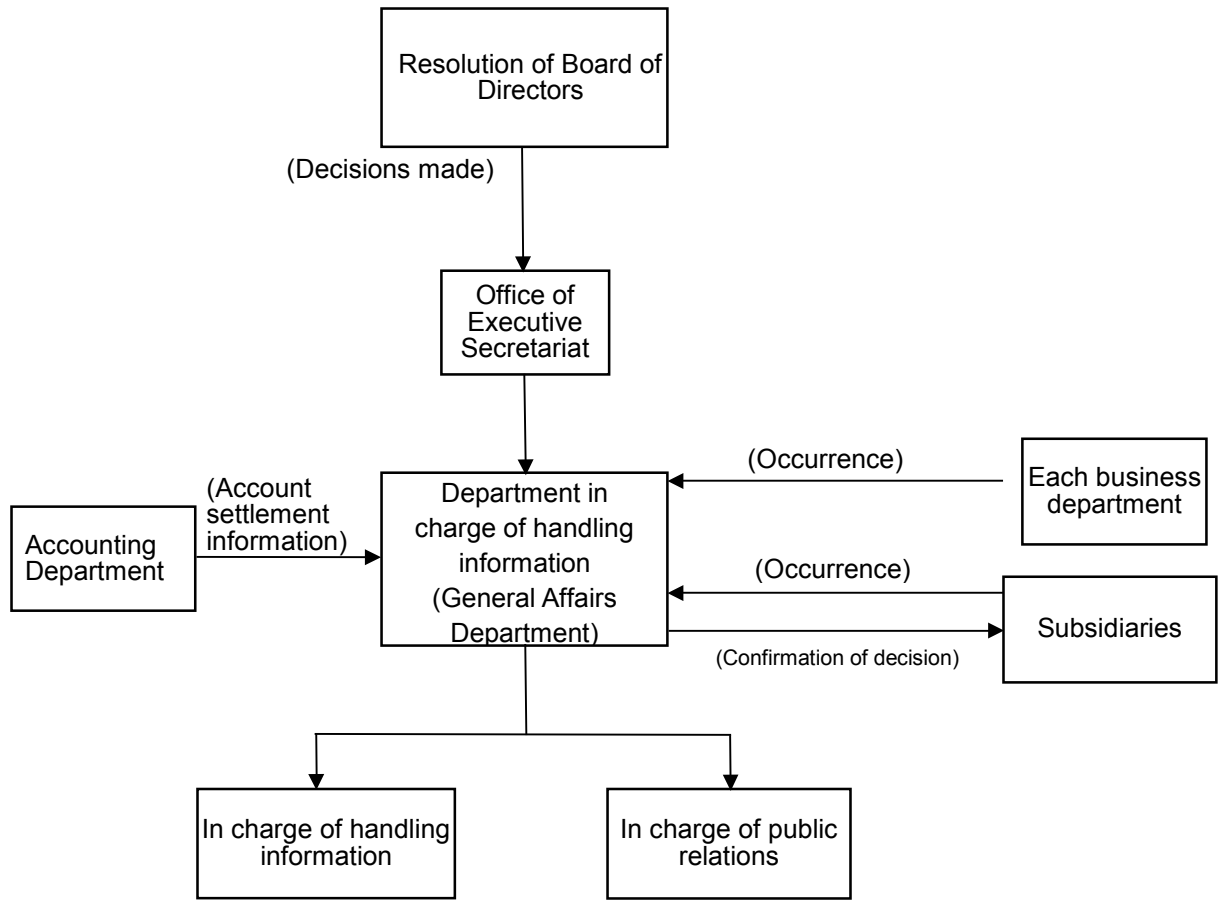
On the timely disclosure of company information about subsidiaries of our company, we make explanations again to each subsidiary to promote the understanding of timely disclosure rules relating to important matters, and our company becomes actively engaged in collecting information.

Schematic diagram of Internal Control of Topre Group



Audit Department is an organization under the direct control of the President and has the functions of accounting audit and business audit. Also, the Internal Control Committee, comprised of Compliance Subcommittee, Risk Management Subcommittee, and Financial Report Control Subcommittee, is established as the department in charge of internal control across all companies, and the Audit Department receives periodical reports from each subcommittee and makes an evaluation of whether internal control is being implemented.

<System of transmission and disclosure of information>



• Timely disclosure to Tokyo Stock Exchange

• Announcement by spokesperson
• Disclosure on Website