

Corporate Governance Report

Last Update: September 29, 2020

Net Marketing Co. Ltd.

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Securities Code: 6175

<https://www.net-marketing.co.jp/>

The corporate governance of Net Marketing Co. Ltd. (the “Company”) is described below.

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

1. Basic Views

The Company’s basic view on corporate governance lies in improving its corporate value steadily through responding to the trust of its stakeholders, including its shareholders, business partners, employees, and the users of its services. The Company believes that ensuring sound, transparent corporate management is essential for the continuation of business activities and steady improvement of its corporate value. The Company also regards the enhancement of its supervision and auditing of its management as one of the most important tasks in corporate management.

There are six directors on the Company’s Board of Directors, and two of them are outside directors. Thus, the Company has adopted diverse perspectives in its management and strengthened the ability of the directors to oversee each other. In addition, three of the Company’s four *kansayaku* (Audit & Supervisory Board members) are outside *kansayaku*, reflecting the Company’s intent to secure more independent perspectives from the *kansayaku* and strengthen their auditing capabilities. Further, the Company has included experts, including a lawyer and a certified public accountant in its corporate governance system by including them as *kansayaku*, in its efforts to increase its officers and employees’ compliance awareness and ensure thorough risk management.

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

[Supplementary Principle 1.2.4: Creating Infrastructure Enabling Electronic Voting and Providing English Translations of the Convening Notices]

The Company has introduced its Electronic Voting Platform to establish the appropriate infrastructure for the exercise of voting rights. Concerning the English translation of documents, currently the Company provides IR materials in English but does not provide an English translation of convening notices at present, reflecting the ratio of foreign investors. Moving forward, the Company will consider providing an English translation of these documents in consideration of changes in its shareholder composition and other factors.

[Supplementary Principle 1.2.5: Exercise of Voting Rights by Institutional Investors, etc. Holding Shares in Street Name]

Bearing in mind the ratio of institutional investors, etc., the Company regards the voting rights exercised in general meetings of shareholders as being held by the people who are listed or recorded on the shareholders list. It does not permit substantial shareholders, such as institutional investors who hold shares in street name, to participate in shareholder meetings, exercise voting rights, or ask questions. Moving forward, the Company will consider the establishment of guidelines regarding the participation of substantial shareholders in its general meetings of shareholders while listening to requests from substantial shareholders and observing the actions of trust and banking companies, etc.

[Supplementary Principle 4.1.3: Plans for the succession of the Chief Executive Officer (CEO), etc.]

The Company judges that its incumbent representative director executes their duties as CEO appropriately, and a succession plan does not currently need to be discussed by the Board of Directors. When a succession plan is deemed necessary, the Board of Directors will hold discussions to ensure that sufficient time and resources are dedicated to developing candidates for succession.

[Supplementary Principle 4.2.1: Management Remuneration]

The remuneration of directors is determined by the Board of Directors in a way that the amount will not exceed the limit on remuneration, the resolution on which was passed at the general meeting of shareholders. Remuneration consists of monthly remuneration (fixed amount) and management bonuses (variable amount). In addition, the Company has introduced a stock option, which is granted on the condition that performance goals are achieved, as a method for remuneration based on medium- to long-term business performance. While the Company has not set up an optional advisory committee or the like to deliberate on remuneration, etc., resolutions on the amount of remuneration, etc. are passed after thorough discussion by the Board of Directors. Moving forward, the Company will consider the establishment and utilization of an optional advisory committee related to remuneration, to further improve the objectiveness and transparency of decisions regarding remuneration and other matters.

[Supplementary Principle 4.3.2: Appointment of the CEO]

The Company has not established guidelines or other rules regarding the appointment/dismissal of the CEO. However, bearing in mind that appointment/dismissal of the CEO is the most important strategic decision for the Company, the Board of Directors appoints a CEO after spending sufficient time considering the aptitude of CEO candidates and listening to the opinions of outside directors.

[Supplementary Principle 4.3.3: Dismissal of CEO]

The Company has not established guidelines or other rules regarding the appointment/dismissal of the CEO. However, where the CEO is deemed not to be fulfilling their duties in light of the Company's business performance and other elements, the Board of Directors will take an appropriate measure without excluding dismissal from their available options.

[Principle 4.8: Effective Use of Independent Directors]

With the goal of improving its corporate value over the medium to long term, the Company appointed two independent directors. Thus, the Company has established a system that permits opinions and advice from a perspective independent of business execution to be heard. In addition, every three months, the Company holds a liaison meeting of outside directors and *kansayaku* who do not execute businesses. At this meeting, the part-time directors, including the outside directors, and the *kansayaku*, including the outside *kansayaku*, discuss management issues and the direction of management. While the Company does not have a lead independent director at present, its full-time *kansayaku* communicate with the *Kansayaku* Board (Audit & Supervisory Board) and outside directors. The Company therefore judges that its inside and outside *kansayaku* and directors are communicating effectively.

[Principle 4.9: Independence Standards and Qualification for Independent Directors]

See "I-1. Basic Views [Disclosure Based on the Principles of the Corporate Governance Code] of this report.

[Supplementary Principle 4.10.1: Use of Optional Systems]

The Company is a Company with a *Kansayaku* Board. It has appointed two outside directors and three outside *kansayaku* and all of them have registered as independent directors/*kansayaku*. While the independent directors are not a majority of the Board of Directors, the combined number of outside directors and outside *kansayaku* are a majority of the total number of members of the Board of Directors and the *Kansayaku* Board. Each independent director/*kansayaku* proactively provides opinions, advice, etc. at Board of Directors meetings, taking advantage of their wealth of experience and knowledge. The Company therefore believes that the independence and objectiveness of the Board of Directors is secured appropriately. While deliberations on remuneration, nomination, and the like are made by the Board of Directors, the Company will consider establishing and employing optional advisory committees regarding nominations and remuneration, aiming to further strengthen its supervision of management.

[Supplementary Principle 4.11.1: View on the Appropriate Balance between Knowledge, Experience, and Skills of the Board of Directors as a Whole, and on Diversity and Appropriate Board Size]
See “I-1. Basic Views [Disclosure Based on the Principles of the Corporate Governance Code] of this report.

[Supplementary Principle 4.11.3: Effectiveness of the Board of Directors as a Whole]
See “I-1. Basic Views [Disclosure Based on the Principles of the Corporate Governance Code] of this report.

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

[Principle 1.4: Cross-Shareholdings]

At present, it is not the Company’s policy to hold shares as so-called cross-shareholdings, which are not for investment purposes.

[Principle 1.7: Related Party Transactions]

At the Company, prior to any competing transaction or transaction involving a conflict of interest with related parties including directors, deliberation and a resolution by the Board of Directors are required. In addition, the Company has established a system under which related party transactions are managed through regular investigation of the presence or absence of such transactions.

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

The Company is not considered an asset owner because it does not participate in a specific corporate pension fund. However, the Company has introduced a defined contribution pension system with the goal of ensuring the stability of its employees’ lifestyles and the improvement of employee welfare.

[Principle 3.1: Full Disclosure]

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

The Company discloses its Vision, Mission, Values and Credo that it has established as its Corporate Identity.

ii) Basic views and guidelines on corporate governance based on each of the principles of the Code

The Company discloses its basic policies on corporate governance on its official website and in its corporate governance report.

iii) Board policies and procedures in determining the remuneration of the senior management and director

The Company discloses its policies and procedures related to the determination of the remuneration, etc. of its directors in its financial statements and corporate governance report.

iv) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of director candidates and *kansayaku* candidates

The Company does not have clearly defined guidelines, etc. regarding the appointment/dismissal of director candidates. However, the Company appoints senior management or nominates director candidates after comprehensive deliberation from the viewpoint of putting the right people in the right positions and in consideration of its business environment, the appropriate balance between knowledge, experience and skills of its Board of Directors as a whole, and other factors, before the Board of Directors passes a resolution regarding an appointment or nomination as an agenda item to be submitted to the general meeting of shareholders. *Kansayaku* candidates are selected and nominated in accordance with the standards stipulated in the Detailed Rules on Audit & Supervisory Board Member Auditing Standards, and approval is obtained from the *Kansayaku* Board, before the Board of Directors passes a resolution regarding their appointment or nomination to be submitted as an agenda item for the general meeting of shareholders. Regarding the dismissal of the senior management, the Board of Directors will pass a resolution regarding the dismissal after discussing it thoroughly, which is then submitted to the shareholders at a general meeting of shareholders if senior management has violated a law, the articles of incorporation, or other rules and significantly decreased the corporate value of the Company, or if dismissal has been otherwise objectively determined to be appropriate.

v) Explanations with respect to the individual appointments/dismissals and nominations based on iv)

The Company discloses the reasons for individual appointments/dismissals and nominations of director candidates and *kansayaku* candidates in the convening notices for its general meetings of shareholders.

[Supplementary Principle 4.1.1: Scope of Matters Delegated by the Board of Directors to Management]

The Company discloses information about its corporate governance system in the corporate governance report. The specific content of the matters to be delegated are stipulated in detail in its internal rules and regulations, including its rules on administrative authorities.

[Principle 4.9: Independence Standards and Qualification for Independent Directors]

The Company has not established particular standards for the appointment of independent directors. In selecting independent directors, the Company refers to the standards for independence set by the Tokyo Stock Exchange. The Company selects persons who have a deep understanding of the Company's business conditions, a wealth of experience and knowledge regarding corporate management overall, and are capable of joining discussions at Board of Directors' meetings from an objective standpoint and providing constructive opinions.

[Supplementary Principle 4.11.1: View on the Appropriate Balance between Knowledge, Experience, and Skills of the Board of Directors as a Whole, and on Diversity and Appropriate Board Size]

In its articles of incorporation, the Company stipulates that the number of its directors should be up to eight. At present, the Company has appointed six directors including two independent directors. In light of the current scale of business, the Company judges that its Board of Directors is sufficiently effective. However, the Company views the enhancement of its Board of Directors' diversity as a matter to be considered in the future. The Company stipulates that in the selection process for director candidates it should attach importance to an appropriate balance between the knowledge, experience, and skills as well as diversity of the Board of Directors while ensuring it is a size that is appropriate for the size of the Company, so that the Board of Directors can function appropriately and contribute to the Company's sustainable growth and to the medium- to long-term improvement of its corporate value.

[Supplementary Principle 4.11.2: Concurrent Positions Held by Directors and *Kansayaku*]

The Company discloses concurrent positions held by its directors and *kansayaku* in the convening notices of the general meetings of shareholders and in its financial statements every year. The Company deems that the number of companies at which its directors and *kansayaku* hold concurrent positions is within a reasonable range that allows them to secure the time and effort needed for the appropriate execution of their supervisory and auditing duties for the Company.

[Supplementary Principle 4.11.3: Effectiveness of the Board of Directors as a Whole]

In light of the size of the Company and other factors, the Company does not analyze or evaluate the effectiveness of its Board of Directors as a whole at present. However, the Company reviews its effectiveness as necessary based on opinions from each director and *kansayaku* concerning the operation of the Board of Directors and believes that it is sufficiently effective. Moving forward, the Company will consider implementing an analysis and evaluation of the effectiveness of the Board of Directors as a whole and the necessity of disclosing the results of the analysis and evaluation.

[Supplementary Principle 4.14.2: Training Policy for Directors and *Kansayaku*]

Training policy for the Company's directors and *kansayaku* is based on the principle that each director and *kansayaku* as a professional in corporate management should strive to acquire any necessary knowledge and improve their capabilities at their discretion. They deepen and share their knowledge and capabilities through discussions at Board of Directors meetings and other opportunities. In addition, directors and *kansayaku* are allowed to receive external training or similar which contributes to the management of the Company, at the expense of the Company.

[Principle 5.1: Policy for Constructive Dialogue with Shareholders]

The Company believes that proactively engaging in dialogue with shareholders on a daily basis and reflecting their opinions and requests in corporate management is important for achieving sustainable growth and improving its corporate value over the medium to long terms. The Corporate Brand Strategy Office is in charge of the IR system the Company has built, with the representative director and the director and CFO, who is responsible for handling information, playing central roles. To ensure that shareholders and investors understand the Company's business strategies and plans, the Company creates opportunities to engage in dialogue with shareholders and investors and responds to their requests for interviews where appropriate. In addition, the Company thoroughly manages insider information and strives to provide rational explanations based on the information that has been disclosed.

2. Capital Structure

Foreign Shareholding Ratio [Updated]	Below 10%
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[Status of Major Shareholders] [Updated]

Name / Company Name	Number of Shares Owned	Percentage (%)
Kunihisa Miyamoto	3,374,200	22.80
Takahiro Nagano	2,277,000	15.39
The Nomura Trust and Banking Co., Ltd. (Trust Account)	1,091,200	7.37
The Master Trust Bank of Japan, Ltd. (Trust Account)	466,500	3.15
Adways Inc.	392,000	2.65
IREP Co., Ltd.	354,000	2.39
Japan Trustee Services Bank, Ltd. (Trust Account)	218,200	1.47
Daisuke Shimada	196,800	1.33
J.P. Morgan Securities PLC for and on behalf of its clients JPMSP Re Client Assets-Sett ACCT	180,300	1.22
Keisuke Yamabe	180,000	1.22

Controlling Shareholder (except for Parent Company)	—
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Parent Company	—
Stock Exchange on Which Parent Company is Listed	None

Supplementary Explanation [Updated]

The above information about the Status of Major Shareholders is as of June 30, 2020. The percentages were calculated after subtracting the number of treasury shares (188 shares), and percentage values are rounded to the second decimal place.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	June
Type of Business	Services
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	From 100 to less than 500
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	Less than 10

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

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with <i>Kansayaku</i> Board
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation [Updated]	8
Term of Office Stipulated in Articles of Incorporation	2 years
Chairperson of the Board	President
Number of Directors [Updated]	6
Appointment of Outside Directors	Appointed
Number of Outside Directors	2
Number of Independent Directors	2

Outside Directors' Relationship with the Company (1)

	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Keisuke Yamabe	From another company												
Daisuke Shimada	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 listed 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 compensation as a director/*kansayaku*

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 company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company outside directors/*kansayaku* 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) [Updated]

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Keisuke Yamabe	○	Not applicable	At a business strategy consulting firm, Mr. Yamabe accumulated a wealth of experience related to planning and support for the implementation of sales and marketing strategies, brand strategies business turnaround strategies, and emerging market strategies in a wide range of industries including automobiles, parts, construction and housing, aviation, and consumer products. In addition, he presently serves as a Senior Executive Officer at Sushiro Global Holdings Ltd. Thus, he has a high level of knowledge on overall business operations. The Company has appointed Mr. Yamabe to be an outside director so that he may make use of his experience and expertise for the management of the Company. Mr. Yamabe and the Company do not have a special interest in each other, so the Company believes that he is unlikely to have a conflict of interest with its regular shareholders and therefore is appropriate as an independent director. He holds shares in the Company but the number of shares he holds is not significant.
Daisuke Shimada	○	In the fiscal year ended June 2015, the Company temporarily had a business relationship with Entermotion Inc. (now known as Insight Core Inc.),* where Mr. Daisuke Shimada, the Company's outside director, serves as the representative director and chairman. However, the Company believes that this will not affect the decisions of shareholders and investors, in light of the transaction value (transaction value in the fiscal year ended June 2015: 0.6 million yen, percentage of the value to the Company's consolidated net sales: 0.007%) and the nature of the content of the business. At present, the Company does not have a business relationship with the abovementioned company.	Mr. Shimada has accumulated global business experience at a general trading company, including the launch of a joint venture in the United States, investment operations in the venture capital business, and the execution of M&A activities. At present, he works as the representative director and chairman of Insight Core Inc., which engages in marketing applying digital technologies. He therefore has a high level of knowledge in overall corporate management and internet business and an extensive personal network. The Company has appointed Mr. Shimada as its outside director so that he may use his experience and expertise for the management of the Company. Mr. Shimada and the Company do not have a special interest in each other, so the Company believes that he is unlikely to have a conflict of interest with its regular

		*When the Company had the above business relationship, Mr. Daisuke Shimada was the representative director and president of the above company.	shareholders and therefore is appropriate as an independent director. He holds shares in the Company but the number of shares he holds is not significant.
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Not Established
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[Kansayaku]

Establishment of <i>Kansayaku</i> Board	Established
Maximum Number of <i>Kansayaku</i> Stipulated in Articles of Incorporation	4
Number of <i>Kansayaku</i>	4

Cooperation among *Kansayaku*, Accounting Auditors and Internal Audit Departments [Updated]

The Internal Audit Office reports internal audit plans and results to the *Kansayaku* Board. In addition, people from the Internal Audit Office attend monthly *Kansayaku* Board meetings and accounting auditor meetings to report audit plans and results to the *Kansayaku* Board, to ensure information is shared. Further, accounting auditors, *kansayaku*, and people from the Internal Audit Office exchange opinions annually to improve the effectiveness of the three-pillar audit system.

Appointment of Outside <i>Kansayaku</i>	Appointed
Number of Outside <i>Kansayaku</i>	3
Number of Independent <i>Kansayaku</i>	3

Outside *Kansayaku*'s Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Kinya Kuramoto	From another company													
Tsutomu Arai	CPA													
Takeshi Nakano	Lawyer													

* 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 subsidiary
- 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. *Kansayaku* 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 compensation as a *kansayaku*
- 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 company of the Company (which does not correspond to any of f, g, or h) (the *kansayaku* himself/herself only)
- k. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the *kansayaku* himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the *kansayaku* himself/herself only)
- m. Others

Outside *Kansayaku*'s Relationship with the Company (2) [Updated]

Name	Designation as Independent <i>Kansayaku</i>	Supplementary Explanation of the Relationship	Reasons of Appointment
Kinya Kuramoto	○	Not applicable	Having worked as an officer at a Daiwa Securities Group company and served other positions over many years, Mr. Kuramoto has an appreciable level of expertise in financial affairs and accounting. Accordingly, he is expected to leverage his experience and knowledge to reinforce the Company's audit system. In addition, the Company has judged that Mr. Kuramoto is capable of giving appropriate advice on the status of compliance, internal controls, and other aspects of the Company from an objective standpoint independently from the members of management who execute businesses. This is why the Company has appointed him as an outside <i>kansayaku</i> . Mr. Kuramoto and the Company do not have a special interest in each other, so the Company believes that he is unlikely to have a conflict of interest with its regular shareholders and therefore is appropriate as an independent <i>kansayaku</i> .
Tsutomu Arai	○	Not applicable	Mr. Arai has accumulated expertise and work experience as a certified public accountant and a certified tax accountant, as well as a wealth of experience and extensive knowledge as an outside <i>kansayaku</i> of other corporate entities. The Company has appointed him as an outside <i>kansayaku</i> because it has judged that he is capable of giving guidance and conducting audits appropriately, taking advantage of his career and experience. Mr. Arai and the Company do not have a special interest in each other, so the Company believes that he is unlikely to have a conflict of interest with its regular shareholders and therefore is appropriate as an independent <i>kansayaku</i> .
Takeshi Nakano	○	Not applicable	Mr. Nakano has expertise and work experience as a lawyer and a wealth of experience and extensive knowledge as an auditor of other corporate entities. The Company has judged that, by leveraging his career and experience, he is capable of giving guidance and conducting audits appropriately. This is why the Company has appointed him as an outside <i>kansayaku</i> . Mr. Nakano and the Company do not have a special interest in each other, so the Company believes that he is unlikely to have a conflict of

			interest with its regular shareholders and therefore is appropriate as an independent <i>kansayaku</i> .
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[Independent Directors/*Kansayaku*]

Number of Independent Directors/ <i>Kansayaku</i>	5
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Matters relating to Independent Directors/*Kansayaku*

The Company has designated all outside directors and *kansayaku* who fulfill the requirements for independent directors/*kansayaku*, as independent directors/*kansayaku*.

[Incentives]

Incentive Policies for Directors [Updated]	Performance-linked Remuneration / Stock Options
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Supplementary Explanation [Updated]

To further raise its directors' motivation and morale to improve business performance, the Company has introduced a performance-linked remuneration system (performance-based bonus) as an incentive given from the short-term perspective and a stock option system as an incentive granted from the medium- to long-term perspective.

(Performance-linked remuneration system)

With regard to performance-linked remuneration, the Company considers the payment of performance-based bonuses to directors, and the amount of the bonus, in light of the status of the achievement of profit targets established at the beginning of each fiscal year. The amount of the performance-based bonus to be paid to directors is determined by the Board of Directors in a way that the amount will not exceed the remuneration limit, which was established through a resolution at the general meeting of shareholders.

(Stock option system)

Information about stock options that were granted by the Company in the past is disclosed in its financial statements. The Company has introduced an incentive plan for directors, employees, and other staff members, which applies the rules for Jika Hakko Shinkabu Yoyaku-ken Shintaku (trust-type stock options).

Recipients of Stock Options	Inside Directors / Employees / Other
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Supplementary Explanation [Updated]

The Company has introduced stock options to further increase the above recipients' motivation and morale to improve business performance over the medium to long term and to ensure value is shared with its shareholders.

The Company has introduced an incentive plan for directors, employees, and other staff members, which applies the rules for Jika Hakko Shinkabu Yoyaku-ken Shintaku (trust-type stock options). The recipients of stock options through this plan are determined based on granting guidelines established in advance. The stock options have a profit target, which serves as the condition for exercising the options. The outline of the stock options is as follows.

4th Stock Options (3,000 options)

Date of issuance: October 1, 2021

Exercise period: October 1, 2021 to October 31, 2028

Conditions for exercise: The stock options may be exercised with an upper limit on the number that is determined by the applicable exercisable percentage, only where the operating income of the Company has fulfilled either of the following conditions in any one of the fiscal years between the fiscal year ended June 2019 to one ending June 2021.

(a) When the amount of the Company's operating income has exceeded 1.2 billion yen Exercisable percentage: 80%

(b) When the amount of the Company's operating income has exceeded 1.56 billion yen Exercisable percentage: 100%

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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Supplementary Explanation [Updated]

The Company does not disclose individual directors' remuneration because there is no director whose total amount of remuneration, etc. is 100 million yen or more. The total amount of remuneration, etc. that directors received in the fiscal year ended June 2020 is as follows.

Directors: 71,700,000 yen paid to six directors

(Including 4,800,000 yen paid to two outside directors)

Policy on Determining Remuneration Amounts and Calculation Methods [Updated]	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The amount of the basic remuneration for directors is determined individually by making a comprehensive judgment from the viewpoints of performance, contribution, and responsibility. Performance is reviewed based on the rate of achievement of profit targets for the given fiscal year, profit growth rate in the following fiscal year's plan, and others. Contribution is reviewed based on the level of contribution to the performance made by each director and other criteria. Responsibility is reviewed based on the position, scope of responsibilities, and others. For performance-linked remuneration, see [II-1. Organizational Composition and Operation –[Incentives]] of this report. The amount of director remuneration is determined by the Board of Directors in a way that the amount will not exceed the remuneration limit, the resolution on which was passed at the general meeting of shareholders. A resolution to set the upper limit of director's remuneration at 120,000,000 yen per year (including 10,000,000 yen or less for outside directors) was passed at the 10th Ordinary General Meeting of Shareholders that was held on September 29, 2014.

The amount of remuneration the *kansayaku* receive is determined through consultation during *Kansayaku* Board meetings in consideration of the duties assigned to each and other factors and in a way that the amount will not exceed the remuneration limit, which was established by a resolution at the general meeting of shareholders.

[Supporting System for Outside Directors and/or *Kansayaku*]

Support for outside directors and *kansayaku* is provided by the Administrative Division. In principle, materials for Board of Directors' meetings are prepared by the Administrative Division, which serves as the secretariat of the Board of Directors, and the division provides explanations prior to meetings as necessary. In addition, the Administrative Division provides information to outside directors and *kansayaku* on a timely basis by email and other means and supports them in other ways. Outside *kansayaku* receive necessary support from the Internal Audit Office, including the provision of information to be shared, in addition to the abovementioned support from the Administrative Division.

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

The Company has adopted the Board of Directors and *Kansayaku* Board systems to promote highly transparent management. The Company has also set up an Internal Audit Office under the direct control of the president to ensure sound management with effective oversight. In addition, the Company has introduced

an executive officer system to enable prompt decision-making and efficient business execution through the delegation of authority. The current corporate governance system of the Company is as described below.

(Board of Directors and directors)

There are six directors, including two outside directors, on the Company's Board of Directors. Legal matters to be resolved and important matters to be resolved regarding corporate management are submitted to the Board of Directors as the highest business decision-making body. They are submitted as matters to be resolved, matters for consultation, or matters to be reported, and the Board of Directors makes decisions on the execution of business. The six directors vote on matters to be resolved and matters for consultation in accordance with the articles of incorporation and the Board of Directors' regulations. Regarding matters to be reported, responsible persons from relevant departments attend the Board of Directors' meeting to report business as necessary. The Board of Directors' meeting is held once a month, in principle, and extraordinary meetings are held as necessary,

In the fiscal year ended June 2020, 19 Board of Directors' meetings were held, with an average attendance of 99% for directors and 100% for *kansayaku*. At Board of Directors' meetings, attendees share information about the Company's situation through monthly performance reporting. Agenda items for the meetings include items regarding financial results and important personnel matters. Agenda items related to business strategy are also put on the table, and attendees deliberate and exchange opinions in a lively manner.

(*Kansayaku* Board and *kansayaku*)

The Company has adopted the Company with *Kansayaku* Board system based on laws and regulations related to the Companies Act. Its *Kansayaku* Board (Audit & Supervisory Board) consists of four *kansayaku* (including three outside *kansayaku*). It audits directors' decision-making processes and the execution of their duties in accordance with the Companies Act, other laws and regulations, the articles of incorporation, and other rules. The full-time *kansayaku* supervises the management of the Company from an objective standpoint independently from the members of management who execute business, leveraging the wealth of experience and the knowledge they have accumulated through experience working for financial institutions, and their experience working for listed companies as *kansayaku*, etc. Part-time *kansayaku* are people who have experience working for listed companies as directors, certified public accountants, and lawyers. They supervise the Company's management from an objective perspective while considering the necessity of ensuring the legality of the Company's actions based on their expertise and work experience. Each *kansayaku* attends general meetings of shareholders and Board of Directors' meetings and exercises their legal rights, including the right to collect reports from directors, employees, and accounting auditors. In addition, full-time *kansayaku* also attends important meetings, including those of the Management Council, and views internal documents and takes other actions to ensure effective monitoring.

In the fiscal year ended June 2020, the *Kansayaku* Board met 14 times, with an average attendance of 100%. Major considerations at *Kansayaku* Board meetings include the audit plan, which is considered in light of basic policies and the items important in audits, as well as the status of directors' execution of their duties, the internal control system and its status of operation, and the reasonableness of the methods and results of audits conducted by accounting auditors.

(Accounting audits)

The Company has concluded an auditing contract with Ernst & Young ShinNihon LLC and undergoes accounting audits under the contract. The outline of the accounting audit conducted in the fiscal year ended June 2020 is as follows.

Names of the certified public accountants who executed the audit: Atsushi Yuasa, Hitoshi Sasaki (Both have been serving as the Company's accounting auditors for seven consecutive years or less.)

Assistants who were involved in the audit: four certified public accountants and nine other people

(Contracts for the limitation of liability)

The Company has concluded contracts for the limitation of liability, by which the liability for damages stipulated in Article 423, paragraph (1) of the Companies Act of Japan is limited by the provision of Article 427, paragraph (1) of the said Act, with its outside directors and *kansayaku*. The limit of liability for damages under these contracts is either a legally specified amount or an amount specified in advance, whichever is larger. The said limitation of liability is accepted only when the execution of duties conducted by the director or *kansayaku* was done in good faith and without gross negligence.

(Management Council)

The Management Council of the Company consists of four inside directors, one full-time *kansayaku*, and responsible persons from departments. Important matters on corporate management are submitted to the Management Council as matters to be resolved, matters for consultation, or matters to be reported (such as weekly reports), and the Council promptly makes decisions on the execution of business. The Management Council meets once a week, in principle, and extraordinary meetings are held as necessary,

(Executive officer system)

The Company has adopted an executive officer system to facilitate further revitalization of the Board of Directors, clearly separate the Board of Directors' functions of making decisions and supervising the execution of business from business divisions' function to execute businesses, and enable prompt decision-making and streamlining of management through delegation of authority. Executive officers are obliged to make decisions on the businesses they are in charge of and execute businesses, within the scope of the authority given to them, under the policies determined by the Board of Directors and the Management Council.

(Internal Audit Office)

The Company has set up an Internal Audit Office to be the auditing department under the direct control of the representative director. This office consists of its head and a dedicated staff member in charge of internal audits. This office conducts internal audits while maintaining independence from subject organizations. Internal audits are conducted to check that each division operates businesses and systems efficiently and appropriately in accordance with laws, regulations, and various rules.

For internal audits, an annual audit plan is formulated. All divisions are audited based on the plan after the plan is approved by the representative director. The result of each audit is reported to the representative director before improvements are recommended to the subject division.

3. Reasons for Adoption of Current Corporate Governance System [Updated]

The Company has adopted the Board of Directors and *Kansayaku* Board systems to promote highly transparent management. The Company has also set up an Internal Audit Office under the direct control of the president to ensure sound management with effective oversight. In addition, the Company has introduced an executive officer system to enable prompt decision-making and efficient business execution through the delegation of authority.

There are six directors on the Company's Board of Directors, and two of them are outside directors. Thus, the Company has adopted diverse perspectives in its management and strengthened the ability of the directors to oversee each other. In addition, three of the Company's four *kansayaku* (Audit & Supervisory Board members) are outside *kansayaku*, reflecting the Company's intent to secure more independent perspectives from the *kansayaku* and strengthen their auditing capabilities. Further, the Company has included experts including a lawyer and a certified public accountant in its corporate governance system by including them as *kansayaku*, in its efforts to increase its officers and employees' compliance awareness and ensure thorough risk management.

For the above reasons, the Company has judged that appropriate corporate governance is possible, which is the reason it has adopted the current corporate governance system.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

[Updated]

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Company sends convening notices two weeks before the general shareholder meeting. For the convenience of shareholders, the Company will strive to complete financial closing operations earlier so that it can send convening notices to shareholders at an early date.
Scheduling AGMs Avoiding the Peak Day	When setting the date of its annual general meeting of shareholders, the Company avoids the Peak Day so that the meeting can be attended by more shareholders.
Allowing Electronic Exercise of Voting Rights	Starting from the 15 th Ordinary General Meeting of Shareholders (held on September 27, 2019), the Company allows shareholders to exercise their voting rights via the internet, such as via computer or mobile phone so that more shareholders can exercise voting rights.
Participation in Electronic Voting Platform	Starting from the 15 th Ordinary General Meeting of Shareholders (held on September 27, 2019), the Company participates in the Electronic Voting Platform to permit institutional investors to secure sufficient time to consider the content of matters to be resolved.
Providing Convocation Notice in English	The Company regards this measure as a matter to be considered in the future.
Other	Starting from the second quarter of the fiscal year ended June 2018, the Company provides financial results (summaries) in English.

2. IR Activities [Updated]

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	The Company has published its disclosure policy, including information disclosure standards and methods, on its official website.	
Regular Investor Briefings for Individual Investors	When announcing quarterly financial results, the Company discloses videos to present the financial results and report business, etc. on the IR pages of its official website. The Company also participates from time to time in seminars for individual investors hosted by an IR support company, etc. and holds a corporate information session via the internet.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	In Japan, the Company holds financial results briefings for institutional investors, securities analysts, and news media after the settlement of accounts for the second quarter and the full fiscal year. In addition, the Company also holds a small meeting every quarter, regularly visits institutional investors in Japan individually, and receives them when they visit the Company.	Yes
Regular Investor Briefings for Overseas Investors	The Company does not hold regular briefings. However, it creates opportunities for dialogue with overseas investors, such as visiting them individually and holding conference calls and online meetings.	No
Posting of IR Materials on Website	Information about financial results, materials for financial results briefings, timely disclosure materials and PR information other than information about financial results, financial statements or quarterly reports, convening notices for general meetings of shareholders, and other IR materials are posted on the IR pages of the Company's official website.	

	https://www.net-marketing.co.jp/ir/index.html	
Establishment of Department and/or Manager in Charge of IR	Department in charge of IR: Corporate Brand Strategy Office Officer in charge of IR: Koji Mimura, director and CFO	

3. Measures to Ensure Due Respect for Stakeholders [Updated]

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Company has established its Vision, Mission, Values and Credo to make clear its Corporate Identity, in which it stipulates that actions for winning the confidence of all stakeholders should be taken as an important matter.
Implementation of Environmental Activities, CSR Activities etc.	The Company regards this measure as a matter which should be considered in the future.
Development of Policies on Information Provision to Stakeholders	The Company recognizes that it is important to provide information to stakeholders appropriately on a timely basis. It will strive to ensure fair, timely disclosure by holding financial results briefings, posting information on its official website, and using various other channels. In addition, to provide information to overseas investors, the Company carries out IR activities overseas and provides supplementary materials on financial results and other documents in English.

IV. Matters Related to the Internal Control System

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

At the Board of Directors' meeting that was held on March 18, 2014, the Company passed a resolution to establish a Basic Policy on Establishment and Operation of an Internal Control System, aiming to establish a system to ensure that the execution of duties by its directors conforms to laws, regulations, and the articles of incorporation, as well as other systems to ensure the appropriateness of operations conducted by the Company as a stock company.

The Company reviews this basic policy as needed. The most recent revision was made at the Board of Directors' meeting held on July 18, 2018.

1. System to Ensure that Execution of Duties by Directors and Employees Conform to Laws, Regulations, and the Articles of Incorporation

1) Directors shall recognize the importance of compliance initiatives, take the initiative in complying with laws, regulations, the articles of incorporation, social norms, internal rules, and the like, and strive to maintain and improve the system for promoting compliance.

2) Compliance Rules shall be established to ensure that execution of duties by directors and employees conforms to laws, regulations, and the articles of incorporation, and directors and employees shall comply with the rules.

3) Whistleblowing Rules shall be established to help strengthen compliance management, and a whistleblowing service shall be offered to enable directors and employees to report malpractice, unlawful or unethical behavior, etc. within their workplaces to the Company.

4) When the *Kansayaku* Board or *kansayaku* has identified a problem in the Company's legal compliance system, they may express their opinions and request the formulation of improvement measures.

5) The Internal Audit Office shall audit business activities of departments in the Company and the operational status of internal systems in accordance with the Internal Audit Rules, to ensure that sufficient measures are taken to ensure business efficiency, prevent risk, and comply with laws and regulations.

6) In accordance with its Rules Regarding Measures to Address Anti-Social Forces, the Company shall prevent any relationship with anti-social activities or forces, which threaten the order and safety of civic society, and take a firm stance against anti-social forces.

2. System for the Storage and Management of Information Related to the Execution of Duties by Directors

Directors shall record and store information about the execution of their duties in a document form or on electronic media by following the Document Management Rules. Directors and *kansayaku* may view such information as necessary on a timely basis.

3. Regulations Concerning Management of the Risk of Loss and Other Relevant Systems

1) To address the risk of loss, the Company shall establish various internal rules, manuals, and others, and optimize them whenever appropriate.

2) The Board of Directors, etc. shall strive to ensure early detection and prevention of the risk of loss.

3) When a risk has been realized, the Board of Directors shall address the situation by immediately appointing an officer responsible for addressing it, to minimize damage to corporate value.

4. System to Ensure Efficient Execution of Duties by Directors

1) Regular meetings of the Board of Directors shall be held once a month. In addition, extraordinary meetings of the Board of Directors shall be held as necessary to make decisions flexibly, to secure a system that enables the appropriate execution of duties.

2) Meetings of the Management Council, which consists of the president, general managers, and those in positions equivalent to or higher than general managers, shall be held every week, in principle, to confirm management issues, discuss the formulation of countermeasures, and consider issues from various perspectives, to complement the Board of Directors.

3) To execute duties efficiently based on the Board of Directors' decisions in the daily execution of business, directors shall delegate their authority in accordance with internal rules such as the Rules on Division of Duties and the Rules on Administrative Authority, and responsible persons at each level shall share operations in accordance with decision-making rules.

5. System to Ensure the Adequacy of Business Operations in the Corporate Group, which Consists of the Company and Its Subsidiaries (hereinafter, the "Group")

1) System concerning reporting to the Company regarding the execution of duties by subsidiaries' directors, executive officers, employees executing businesses, persons who are to perform duties prescribed in Article 598, paragraph (1) of the Companies Act, and equivalent persons (hereinafter, "Directors, etc.")

In accordance with the Rules on Management of Affiliates, the Company's Administrative Division shall collect information about relevant businesses of affiliates and report it to the Company's Management Council on a timely basis, and final decisions on important matters shall be made by the Company.

2) Rules and other systems to manage the risk of loss at subsidiaries

In accordance with the Rules on Management of Affiliates, the Company's Administrative Division shall check the statuses of management, statues of business operation, etc. of Group companies. Where a risk of loss has been found, the Administrative Division shall address the risk before a problem occurs.

3) System to ensure the efficient execution of duties by Directors, etc. of subsidiaries

To ensure the appropriate execution of business by Group companies, the Company shall strive to build internal control systems at its Group companies and provide the necessary guidance and support.

4) System to ensure that the execution of duties by Directors, etc. and employees of subsidiaries conforms to laws, regulations, and articles of incorporations

The Internal Audit Office of the Company shall regularly conduct internal audits of Group companies.

6. Matters Concerning the Independence of Personnel Supporting *Kansayaku* from Directors and Assurance of the Effectiveness of Instructions to Such Personnel, etc., which Apply where Such Personnel are Assigned

1) Where *kansayaku* requests the appointment of supporting personnel to them, such personnel shall be allocated as necessary.

2) Duties of the personnel supporting *kansayaku* shall be free from instructions and orders from directors and other superiors.

3) Based on instructions from *kansayaku*, personnel supporting *kansayaku* may request that other departments secure a cooperative framework. Personnel supporting *kansayaku* may also attend important internal meetings, etc. and view important internal documents in accordance with instructions from *kansayaku*.

7. System for Reporting by Directors and Employees to *Kansayaku* and Other Systems Concerning Reporting to *Kansayaku*

1) To understand the process of important decision-making and status of business execution, *kansayaku* may attend Board of Directors' meetings and other important meetings, view important documents such as the minutes of the Board of Directors' meetings and requests for managerial decisions, and request explanations from directors and employees, as necessary.

2) Directors and employees shall report to *kansayaku* important matters which influence the operation or performance of business of the Company or a Group company, without delay.

3) *Kansayaku* may request that directors and employees report to them as necessary.

8. System for Reporting to *Kansayaku* by Directors and Employees of Subsidiaries, and People who Have Received Reports from Them

Kansayaku may request that directors and employees of the Company who have received reports from subsidiaries report to them. Where necessary, *kansayaku* may also request that directors and employees of subsidiaries report directly to them.

9. System to Ensure that a Person who Has Reported to *Kansayaku* will not Be Unfavorably Treated Because of the Report

A person who has reported to *kansayaku* shall not be treated unfavorably. The person shall be protected from any retaliatory or discriminatory acts that may result from the reporting.

10. Matters Concerning Policies Regarding Procedures for Prepayments or Reimbursement of Expenses Arising in Relation to the Execution of Duties by *Kansayaku* and Other Processing of Expenses or Obligations Arising in Relation to the Execution of Duties by *Kansayaku*

Where *kansayaku* have requested the prepayment, reimbursement, etc. of expenses arising in relation to the execution of their duties, such expenses or obligations shall be processed promptly, except where they are deemed unnecessary for the execution of duties by the *kansayaku*.

11. Other Systems to Ensure Effective Auditing by *Kansayaku*

- 1) *Kansayaku* shall exchange opinions with the representative director and president on a regular basis to deepen mutual understanding of important issues, etc. regarding audits and make relevant improvements.
- 2) *Kansayaku* may collect information from directors and employees as necessary.
- 3) *Kansayaku* shall exchange information with accounting auditors and the Internal Audit Office and may request reports from them as necessary.

12. System to Ensure the Reliability of Financial Reporting

- 1) To ensure the reliability of financial reporting, the Company shall strengthen activities to control the overall company and each business process and establish a system for managing these activities, based on the Internal Control Rules.
- 2) The Internal Audit Office shall evaluate internal controls related to financial reporting by following criteria for evaluating internal controls which are generally deemed fair and appropriate.

2. Basic Views on Eliminating Anti-Social Forces

The Company has established its Basic Policy on Anti-Social Forces to comply with laws and regulations, try to act with social conventions at all times, and prevent any relationship with anti-social forces that could be criticized socially.

As systems to eliminate the influence of anti-social forces, the Company has established Rules for Measures to Address Anti-Social Forces and a Manual for Responding to Anti-Social Forces. The Administrative Division operates these rules and manual as the division in charge of them. Specifically, the Company has established a system, under which a business division intending to begin business transactions with a new client works with the Administrative Division to investigate rumors and other information about the new client through newspapers, the internet, and other sources before starting business transactions. In addition, basic contracts that the Company concludes with its business partners and the terms of use of each service provided by the Company include provisions regarding the elimination of anti-social forces, which enable agreements with business partners to be terminated if they are found to be anti-social forces.

V. Other

1. Adoption of Anti-Takeover Measures

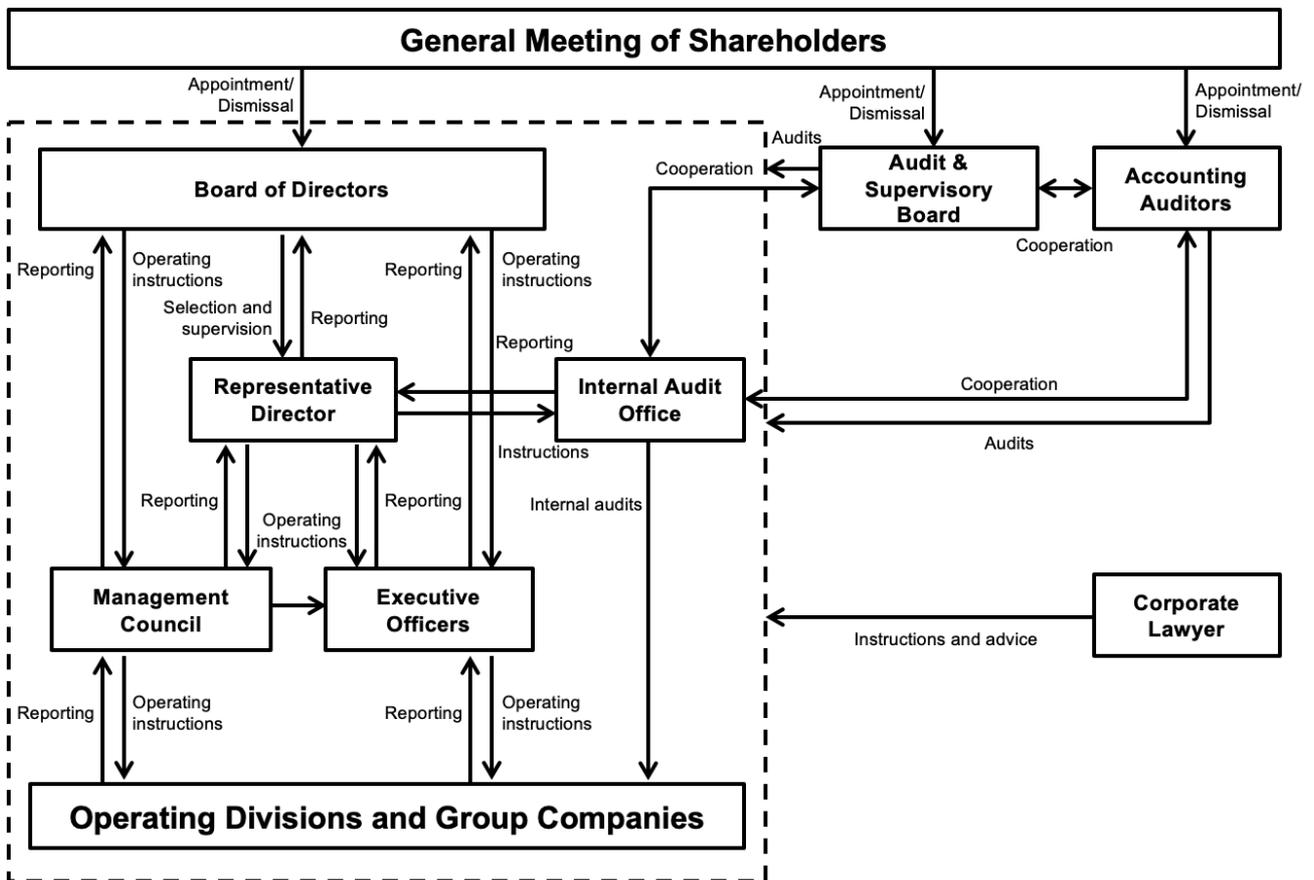
Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

At present, the Company does not have any plan to introduce an anti-takeover measure. In the future, however, such a measure may become an issue to be considered.

2. Other Matters Concerning to Corporate Governance System

Corporate Governance System (Diagram)



Overview of the Timely Disclosure System (Diagram)

