

Approaches to the Corporate Governance Code

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

[Supplementary Principle 4.2.1]

ACOM has performance-linked compensation based on single year performance system in place for compensation for directors (excluding directors serving as members of Audit & Supervisory Committee).

ACOM will continue reviewing medium- to long-term performance-linked compensation system with aim of making compensation for directors effective and sound incentive for sustainable growth of the Company.

[Supplementary Principle 4.10.1]

ACOM has Appointment Remuneration Committee in place as optional committee in charge of appointment of and compensation for senior management and directors. The structure of appointment and remuneration committee is as follows:

- The Number of Inside Directors and Independent Outside Directors
 - Board of Directors: 7 inside directors and 2 independent outside directors
 - Appointment and Remuneration Committee: 4 inside directors and 2 independent outside directors
- The Number of Directors not Serving as Members of Audit & Supervisory Committee and Those Serving as Members of Audit & Supervisory Committee
 - Board of Directors: 6 directors who are not members of the committee and 3 directors who are members of the committee
 - Appointment and Remuneration Committee: 3 directors who are not members of the committee and 3 directors who are members of the committee

Independent outside directors do not constitute the majority of Appointment and Remuneration Committee, however, the Company ensures their appropriate involvement and receives their suitable advice upon consideration of appointment and compensation.

[Principle 4.11]

There are no female directors or foreigner directors at the Company at this point. However, the Company is willing to nominate any individual who meet criterion in appointment policy as candidate, regardless of one's gender and nationality.

[Principle 5.2]

ACOM has formulated a new profit plan based on its capital expenses. Consequently, it has set new basic policy on capital as “for increasing return to shareholders while placing top priority on optimizing shareholders' equity.” Additionally, it has set ROE target of 12% or more.

The Company will announce specific policy on distribution of management resources as soon as its shareholders' equity reaches appropriate level.

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

[Principle 1.4]

The Company currently does not have any strategic shareholdings and does not plan to do so in the future.

[Principle 1.7]

Pursuant to relevant laws, it is provided in our regulations of board of directors that transactions with directors and material transactions with major shareholders require prior approval of the board of directors.

[Principle 2.6]

The Company has Corporate Pension Asset Management Committee in place to effectively manage corporate pension asset. The committee comprises of the director in charge of Human Resources Dept. and chief general managers of Human Resources Dept., Corporate Planning Dept., Finance Dept. and Treasury Dept.

The members of the committee need to deepen their understandings on investment theory, asset management system, contents of asset for investment, etc. They also need to grasp asset management environment. Therefore, the Company provides necessary information from trustee management institutions to committee members in periodic manner.

The committee discusses basic policy on corporate pension asset management, matters on investment and trustee management institutions. The Company further discusses these matters at management meeting where Audit & Supervisory Committee members attend and share their opinion. Therefore, the Company ensures appropriate management of corporate pension asset.

[Principle 3.1]

(i) Guiding Principles of the Company (Corporate Philosophy, etc.), Management Strategy and Management Plan

(1) Guiding Principles of the Company (Corporate Philosophy, etc.)

Please refer to “Corporate Philosophy” on our website.

(<https://www.acom.co.jp/corp/english/about-us/philosophy/>)

(2) Management Strategy and Management Plan

Please refer to “Medium-term Management Plan” on our website.

(https://www.acom.co.jp/corp/english/ir/management/medium-term_management_plan/)

(ii) Basic approach and key policies for corporate governance

Our basic approach and key policies for corporate governance are as set forth below.

<Basic Policy>

The ACOM Group, guided by its lifelong “circle of trust” spirit, maintains an ongoing corporate commitment to respecting other people, putting the customer first, and conducting creative and innovative management. Based on this commitment, we are seeking to deepen mutual trust between our stakeholders and ourselves and thus progress in partnership with society.

In order to meet the expectations of stakeholders and build stronger trust, we will strengthen corporate governance as a key management priority. To this end, we will take steps to enhance the soundness, transparency, and efficiency of our operations and achieve sustained increases in our shareholder value.

We recognize that effective internal control systems are essential to creating an appropriate corporate governance framework. Based on this recognition, we are encouraging all members of our organization to join forces in building internal control systems and assuring their effectiveness, under the leadership of the Chairman, President & CEO. At the same time, we are constantly evaluating, verifying, and improving the effectiveness of internal control mechanisms already in place.

(iii) Policies and procedures for determining compensations for senior management and directors

Remuneration Committee conducts and makes proposals on the amount of compensations payable to Directors (excluding Directors serving as Members of Audit & Supervisory Committee) in consideration of business results and other factors, within the total amount of compensations resolved at shareholders' meetings. The amount of compensation payable to Members of Audit & Supervisory Committee is determined at consultation with Members of Audit & Supervisory Committee in consideration of their duties and responsibilities, within the total amount of compensations resolved at shareholders' meetings.

(iv) Policies and procedures for appointing and dismissing senior management and nominating candidates for directors and auditors

(1) Policies

(A) Appointing Senior Management

- The candidate owns rich experience, in-depth insight and high expertise of Company's business which are necessary for conducting swift and pertinent business execution.
- The candidate possesses great humanity such as wide trust from others, dignity and high moral.
- The candidate is sound both in mind and body, and does not possess possible concern for business performance.
- The candidate does not have any past record of violations of law and compliance (including harassment) which inflicted significant loss to the Company and any other entities the candidate has served.
- The candidate is not affiliated with any anti-social forces.

(B) Dismissing Senior Management

- A senior management is dismissed when one no longer meets criterions under appointment policy.

(C) Nominating Candidates for Directors (Excluding Those Serving as Members of Audit & Supervisory Committee)

- The candidate owns rich experience, in-depth insight and high expertise which are necessary for efficient supervision on management.

- The candidate possesses great humanity such as wide trust from others, dignity and high moral.
- The candidate is sound both in mind and body, and does not possess possible concern for business performance.
- The candidate does not have any past record of violations of law and compliance (including harassment) which inflicted significant loss to the Company and any other entities the candidate has served.
- The candidate is not affiliated with any anti-social forces.

(D) Nominating Candidates for Directors Serving as Members of Audit & Supervisory Committee

- The candidate owns rich experience in management, laws, finance and accounting, combined with deep insight and high degree of expertise needed for achieving management transparency and improving objectivity.
- The candidate possesses great humanity such as wide trust from others, dignity and high moral.
- The candidate is sound both in mind and body, and does not possess possible concern for business performance.
- The candidate does not have any past record of violations of law and compliance (including harassment) which inflicted significant loss to the Company and any other entities the candidate has served.
- The candidate is not affiliated with any anti-social forces.

(E) Nominating Candidates for Directors Appointed as Independent Directors

- The candidate within (C) and (D) who is appointed as Independent Directors meets all requirements below and items set forth in “Independence Standards for Outside Directors.”
 - * Please refer to “I. 1. Basic Policy [Disclosure Based on the Principles of the Corporate Governance Code] [Principle 4.9]” for “Independence Standards for Outside Directors.”
 - The candidate is capable of offering advices on management policies and management improvements, by utilizing knowledge, from the viewpoint of increasing medium- to long-term corporate value by promoting sustainable growth of the Company.
 - The candidate is capable of supervising management through appointment/dismissal of senior management and other significant decision makings at the Board of Directors.
 - The candidate is capable of supervising conflict of interests between the Company, management, controlling shareholders, etc.
 - The candidate is capable of reflecting opinions of stakeholders including minority shareholders at the Board of Directors, independent from the management and controlling shareholders, in a proper manner.

(2) Procedures

(A) Appointing and Dismissing Senior Management

The board of directors resolves appointments based on policies above after examinations are

conducted and proposals are made by appointment and remuneration committee.

(B) Nominating Candidates for Directors (Excluding Those Serving as Members of Audit & Supervisory Committee)

The board of directors resolves appointments based on policies above after examinations are conducted and proposals are made by appointment and remuneration committee.

(C) Nominating Candidates for Directors Serving as Members of Audit & Supervisory Committee

The board of directors resolves appointments based on policies above upon agreement by the Audit & Supervisory Committee after examinations are conducted and proposals are made by president.

(v) Explanation on Appointment of Senior Management and Nomination of Individual Candidates for Directors

Explanation on appointment of senior management and nomination of individual candidates for directors (excluding those serving as members of Audit & Supervisory Committee) and directors serving as members of Audit & Supervisory Committee is mentioned on our convocation notice for ordinary general meeting of shareholders which is available for inspection on our website.

https://www.acom.co.jp/corp/english/ir/stock/shareholders_meeting/

[Supplementary Principle 4.1.1]

The Company delegates decision-making on matters related to the execution of business operations other than matters to be resolved at the Board of Directors, to president and director. Moreover, the “Rules for the Board of Directors” of the Company provides the matters to be discussed at the Board based on laws and the article of incorporations. With regard to other business executions, the Board aims for expedite decision-makings and business execution, and clarification of roles of supervision and execution through following measures: appointing directors in office; providing division of duties, and roles and responsibilities on “Rules for Division of Duties within the Company”; and delegating business execution to executive officers.

[Principle 4.9]

The Company has set following “Independence Standards for Outside Directors” in order to focus on ensuring independence of Outside Independent Directors.

“Independence Standards for Outside Directors”

The Company appoints Independent Outside Directors who meet all requirement items 1 through 7 below.

1. Meet all requirements stipulated under Article 2, Paragraph 15 of the Companies Act;

2. Do not fall under any of items (1) through (3) below.

(1) Major creditors of the Company¹ or their executors of operations, and were executors of operations in

- the last three years;
- (2) Those for whom the Company is a major business partner² or their executors of operations, and were executors of operations in the last three years;
 - (3) Major business partners of the Company³ or their executors of operations, and were executors of operations in the three years;
 3. Are not consultants, accountants or legal experts who receive, in terms of the average for the past three years, ¥10 million or more of monetary or other property benefits other than executive remunerations from the Company, nor belong to accounting or law firms where the Company is a major business partner⁴;
 4. Are not Directors, officers or executive officers of the Company or its subsidiaries, nor spouses or relatives within the second degree of kinship of those whom the Company judges their independences are not ensured as provided in items 2 and 3;
 5. Are not current major shareholders⁵ of the Company or their executors of operations;
 6. Those who do not belong to auditing firms of the Company or its subsidiaries, nor were in charge of auditing operations of the Company or its subsidiaries as employees of said auditing firms.
 7. Were not executors of operations at the parent company and/or fellow subsidiary of the Company in the last ten years.

(Notes)

1. “Major creditors of the Company” refer to those the Company procures 3% or more of its consolidated amount of borrowings.
2. “Those for whom the Company is a major business partner” refer to those the Company accounted for 2% or more of their consolidated sales.
3. “Major business partners of the Company” refer to those who accounted for 2% or more of the Company’s consolidated operating revenue.
4. “Accounting or law firms where the Company is a major business partner” refers to those the Company for 2% or more of their consolidated sales.
5. “Major shareholders” refer to those who hold 10% or more of the Company’s total voting rights.

* Transaction included in “Attributes of Directors” shall be omitted as within range of negligible standard when items above are fulfilled.

[Supplementary Principle 4.11.1]

The Board of Directors of the Company consists of nine members, two of whom are Independent Outside Directors, in order to expedite decision-makings and ensure effective mutual monitoring among directors. In order to ensure diverse perspectives in the Board, the Company appoints individuals with following qualifications as Directors: rich experience within the Company or from different companies; deep insight and high expertise.

[Supplementary Principle 4.11.2]

Information on individual directors who have material concurrent post including other listed companies is mentioned on our convocation notice for ordinary general meeting of shareholders which is available for inspection on our website.

[\(https://www.acom.co.jp/corp/english/ir/stock/shareholders_meeting/\)](https://www.acom.co.jp/corp/english/ir/stock/shareholders_meeting/)

[Supplementary Principle 4.11.3]

The Company distributes surveys regarding the effectiveness of the Board to all directors every year. The Company conducts analysis and evaluation on effectiveness the Board based on the results of surveys.

The Company conducted abovementioned analysis and evaluation this fiscal year. Consequently, the Company confirmed that the Board fulfills each and all of its function in formulation of management strategies and targets, settling management challenges, supervision on risk managements and business executors. Thus, the Company concluded that its current Board functions properly and its effectiveness is ensured.

Moreover, the Company assessed that it has made certain level of advancements on further sophistication of reference material used at the Board and deepening awareness on external opinions, which were issues recognized in previous fiscal year.

Meanwhile, the Company recognized that current issues to be addressed include: further deepening of awareness on external opinions; activation of discussions held at the Board; and sophisticating matters reported to the Board. Therefore, the Company strives for improvement on these issues.

While the company will operate the Board of Directors in manners as described below, the Company will sustain periodic analysis and evaluation on effectiveness of the Board and continue its efforts to ensure enhanced effectiveness of the Board.

- (1) The Board will decide material business management matters, such as management strategies and business plans, and also will determine basic policies for building corporate governance and internal control systems. The Board will monitor and supervise the execution of duties.
- (2) Material subjects will be exhaustively selected as agendas based on regulations for matters to be resolved at the Board, provided in rules of the Board of Directors. The Board will discuss such selected material in timely and appropriate manner.
- (3) The Company will distribute materials to be used at the Board prior to the meeting to make it efficient and vigorous. Prior explanations will be given when deemed necessary.
- (4) The Board will receive periodic reports on business managements, etc. and supervises business execution.

[Supplementary Principle 4.14.2]

The Company provides trainings to directors when deemed necessary upon their inaugurations. Even after

their assumption of offices, the Company provides continuous training programs on diverse topics such as market trend of the Company's business segment and global economic issues.

[Principle 5.1]

(1) Development of Systems to Promote Constructive Dialogues with Shareholders

In addition to the ordinary general meeting of shareholders, the director in charge of Public Relations & CSR Dept. presides over dialogues with shareholders. Public Relations & CSR Dept. collaborates with relevant departments and conducts interim and annual earnings release conferences, domestic conferences (4 times a year), overseas IR roadshow (twice a year) and individual IR meetings (from 200 to 300 meetings per year).

Feedbacks given through these contacts with shareholders are reported to the Board of Directors.

(2) Basic Policy on Measures to Promote Constructive Dialogues with Shareholders

The Company strives for timely and appropriate dialogues with every shareholder to attain continuous growth and mid- to long-term enhancement in corporate value. With regard to information disclosure, we will endeavor to expand our disclosure proactively beyond the scope of disclosure required by laws and regulations to information deemed beneficial to facilitate understanding of the Company by shareholders.

Upon disclosing such information, we will strive to disclose information in fair and prompt manner to both the domestic and the overseas shareholders through our website and processes designated by the Tokyo Stock Exchange.

In certain cases, forward-looking statements may be included in the information that we disclose. In regard to such forward-looking statements, we will strive to fully explain our assumptions, uncertain factors, etc. in order to avoid giving a false impression to the market.

In order to prevent divulgence of financial results information and ensure fairness of information disclosure, certain period prior to announcement of financial results shall be regarded as "Silent period" where we refrain from making any comments or answering inquiries regarding financial results.