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Corporate Governance Report

Last Update: October 22, 2021

RAKSUL INC.

Yasukane Matsumoto

Representative Director, President and CEO

Securities code: 4384

<https://corp.raksul.com/en/>

The corporate governance of Raksul Inc. (the “Company”) is described below.

I. Basic Policy on Corporate Governance, Capital Structure, Corporate Attributes, and Other Basic Information

1. Basic Policy

Based on our corporate vision "Better Systems, Better World", we recognize the strengthening of our corporate governance system as a high-priority issue, and we are working to strengthen and enhance the system in order to meet the responsibilities and expectations of our stakeholders as a public entity of society and to realize sustainable growth and increase corporate value over the medium to long term.

We emphasize the following in our corporate governance system:

- To ensure management decision-making and execution is conducted based on the corporate vision, and to establish a management decision-making body that leads such decision-making and execution. Management decision-making should be made as a public entity of society, taking corporate ethics and morals into account.
- To build a corporate governance system that is not of formality, but one that functions in a practical matter. We will continue to develop a current-future-oriented corporate governance system by evaluating the overall system regularly, reviewing as needed in accordance with the situation of the Company, and making improvements to continue functioning as a viable system.
- Fulfilling our responsibilities not only to shareholders and employees, but also to the stakeholders (customers, suppliers, industry participants, etc.) of each industry in which we are engaged in.

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

[Applicable Code]

The information is based on the code after the revision in June 2021.

Principle 3-1-3. Initiatives on sustainability, investments in human capital and intellectual properties (Initiatives on Sustainability)

Based on our corporate vision "Better Systems, Better World", we are promoting sustainability and ESG management to fulfill our responsibility and to hand off the community and society to the next generation. The details of our approach, policies, and initiatives on sustainability are disclosed on our website (<https://corp.raksul.com/en/esg/>).

(Investments in Human Capital, Intellectual Properties, etc.)

We have identified "Rebuilding conventional industries with IT", "Diversity & inclusion" and "Future leadership development & appropriate reward to employees" as materiality issues to be prioritized in our sustainability and ESG management described above. In this context, the Company is promoting measures to invest in human capital and intellectual properties.

(Impact of Climate Change-Related Risks and Opportunities on the Company's Business Activities and Profits etc.)

We disclose our approach, policies, and initiatives on environment and climate change on our website (<https://corp.raksul.com/en/esg/>) and will continue to actively disclose information based on the TCFD framework.

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

[Principle 1-4. Cross shareholdings]

(Policy Regarding Cross shareholdings and Verification Regarding Appropriateness of Holdings)

Our policy is to invest in cross shareholdings only when it can contribute to the enhancement of the value of our BtoB sharing platform and in the medium to long term contribute to the enhancement of our corporate value. The Company periodically conducts verification on individual stocks.

Specifically, as of the end of each fiscal year, for securities held for purposes other than pure investment, the Company makes a list of the amount held based on the market value as at the end of the fiscal year, acquisition price, number of shares held, percentage of shares held, status after acquisition, etc., and classifies the purpose of holding the securities into the following three categories based on the Company's most recent business policies; "Expansion of the Company's business domain," "Strengthening relationships with the Company's business partners," and "Research and learning towards development of new business domains". The Board of Directors decides on the future holding policies for each individual stock based on the above and passes the Board of Directors resolution.

In the verification at the end of the fiscal year ending July 31, 2021, we decided to sell some of the stocks held for the purpose of strengthening relationships with partners over the long-term, given that the need to hold these stocks has decreased considering our business progress.

(Standards for Ensuring Exercise of Voting Rights of Cross shareholdings)

We will determine the exercise of voting rights with respect to Cross shareholdings after careful examination of the suitability with our objectives, assuming that a sound management governance system is secured by the issuer.

[Principle 1-7. Related Party Transactions]

We prepare a list of related parties of the Company as well as all officers in order to ascertain whether or not there are any related party transactions. The Corporate Administration Division is in charge and has established a system for confirming whether there are related party transactions before the commencement of transactions. The list will be updated at the end of each fiscal year.

[Supplementary Principle 2-4-1. Ensuring Diversity in the Promotion to Core Human Resources etc.]

(Approach to Ensuring Diversity)

The Company has identified "Diversity & inclusion" as one of the materiality issues to be prioritized in its sustainability and ESG management and is working on the formulation of human resources strategies and improvement of the internal environment; including recruitment, human resources development, assignment, evaluation systems, and continuous review of organizational culture based on its human resources organization policy.

(Voluntary and Measurable Goals for Ensuring Diversity and the Status)

In order to proactively engage in promoting diversity, we have set a target for the "ratio of female managers" and will disclose the progress on our website (<https://corp.raksul.com/en/esg/>).

As for the ratio of foreign nationals and the ratio of foreign nationals in management positions, we are currently discussing our organizational approach, goals, and measurable targets.

Regarding the ratio of mid-career recruitment and the ratio of managers, we have not set specific targets as we recognize that the ratio is already at a sufficient level, given the fact that we have been hiring and promoting diverse human resources since our foundation.

(Human Resource Development Policy and Internal Environment Improvement Policy to Ensure Diversity and the Status)

The policy for human resource development and improvement of internal environment to resolve above issues and the status of the implementation are disclosed on our website (<https://corp.raksul.com/en/esg/>).

[Principle 2-6. Roles of Corporate Pension Funds as Asset Owners]

Raksul has not adopted a corporate pension plan.

[Principle 3-1. Full disclosure]

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

Based on our corporate vision "Better Systems, Better World", we aim to redesign the structure and value chain of conventional industries with the help of the Internet.

Specifically, our core management strategies are to create value by promoting digitization, maximizing added value to customers and suppliers through our BtoB sharing platform businesses, printing EC services "Raksul", advertising services "Novasell", and logistics services "Hacobell".

(ii) Basic policies and guidelines on corporate governance based on the respective principles of the Corporate Governance Code

Please refer to "I.1. Basic Policy" of this report.

(iii) Basic policies and procedures regarding remuneration for directors

Remuneration for directors is described in the [Remuneration for Directors] "Disclosure of Policy for Determining the Remuneration Amount or the Calculation Method" below.

(iv) Policies and procedures by which the Board of Directors is responsible for the selection and dismissal of senior management and the nomination of candidates for directorships

In the election and dismissal of directors, the Company emphasizes that they have a deep understanding of the Company's management vision and corporate culture, that they possess awareness and integrity of being a public entity of society, that they are calm and have enough time to spare to make sufficient contributions to the Company's decision-making and governance, and that they also possess a high level of expertise in each field, regardless of gender, age, or nationality.

The Nomination and Remuneration Committee, which is a voluntary committee, first formulates drafts on candidates based on the aforementioned criteria, and after discussion and approval by the Board of Directors, the candidates are elected at the General Meeting of Shareholders. In addition, directors who are members on the Audit & Supervisory Committee receive the consent of the Audit & Supervisory Committee before they are presented to the Board of Directors.

(v) Explanation of individual elections, dismissals, and nominations when the Board of Directors elects/dismisses executives and nominates director candidates based on (iv) above

Reasons for electing directors are described individually in the Notice of Convocation of General Meeting of Shareholders at the time of election.

[Supplementary Principle 4-1-1. Scope and Content of the Matters Delegated to the Management]

In October 2019, we amended the Articles of Incorporation of the Company when we transitioned to a company with an Audit & Supervisory Committee to allow the Board of Directors to delegate all or part of decisions on important business matters to be resolved by the Board of Directors. In order to realize sustainable growth through business operations in multiple industries, we introduced a governance framework that allows the delegation of authority to the CEO and the Management Meeting and other such meetings and voluntary committees from the fiscal year ended July 2021 in order to achieve both flexible decision-making by executive members and companywide optimization from a medium to long term business portfolio perspective. Specifically, the Company delegates the right to the CEO on the election and dismissal of important employees, remuneration, and execution within budget plans of a certain amount or less, on the assumption that they are approved by voluntary committees in advance.

[Supplementary Principle 4-1-3. Succession Plan]

In order to achieve sustainable growth through BtoB platforms that innovate a number of industries, the Company emphasizes the establishment of management systems including the CEO and the development of management personnel that lead the next generation. The Board of Directors and voluntary committees continuously review and verify governance structures and delegation of authority to promote such development.

[Principle 4-9. Independence Standards and Qualifications for Independent Outside Directors]
In order to ensure the independence of persons who become outside directors and to establish a sound corporate governance system, we have set standards for the independence of outside directors and have disclosed them on our website (<https://corp.raksul.com/en/ir/governance/>).

[Supplementary Principle 4-10-1. Policy, Mandates, and Roles Regarding Independence of the Nomination and Compensation Committee]

The Company has established a voluntary Nomination and Compensation Committee under the Board of Directors, whose main members are independent outside directors. The policy, mandates, and roles of independence in the composition of the committee are as described in "2. Matters Related to the Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Outline of the Current Corporate Governance System)" below.

[Supplementary Principle 4-11-1. Preconditions for Securing the Effectiveness of the Board of Directors]

We have positioned the Board of Directors as a decision-making body for achieving discontinuous growth while taking risks in a diversified and sound manner based on our corporate vision. Accordingly, to ensure diversity of the Board of Directors, age, field of expertise, skills, backgrounds, etc. are taken into consideration. Moreover, from the end of the fiscal year ended July 2021, we have developed a proposal for the selection of the Board of Directors by utilizing the skill matrix after examination by the Nomination and Remuneration Committee, a voluntary committee, and the details are disclosed in the Notice of the Annual General Meeting of Shareholders.

[Supplementary Principle 4-11-2. Status of Concurrent Positions Held by Officers]

The status of concurrent officer positions at other listed companies are described in the Notice of Convocation of General Meetings of Shareholders and the Annual Securities Report, etc.

[Supplementary Principle 4-11-3. Evaluation of the Effectiveness of the Board of Directors]

We review the overall operation of the Board of Directors at least once a year at the meeting of the Board of Directors. The following is a summary of the evaluation of the effectiveness of the Board of Directors conducted in the fiscal year ended July 31, 2021.

The evaluation of the effectiveness of the Board of Directors is based on responses of questionnaires for each director, and the Company provided feedback on the results to the Board of Directors. We received responses that the Board of Directors, regardless of whether they are internal or external directors, engages in free and constructive discussions and exchanges of opinions on various agendas directly linked to corporate value, such as optimal allocation of capital, ESG, and corporate risks. Agendas to be discussed include further improvements through periodic verification regarding initiatives utilizing the voluntary committees which started from the fiscal year ending July 31, 2021.

Based on these analyses, we will promote initiatives to further enhance effectiveness of the system.

[Supplementary Principle 4-14-2. Training Policy for Directors]

In order for our directors to fully fulfill their roles and responsibilities, our basic policy is for each individual to acquire the necessary knowledge at their own discretion. However, as deemed appropriate, we also provide training opportunities that contribute to our sustainable growth and increase of corporate value, such as corporate governance, internal control, and compliance.

Specifically, we invite outside lecturers to hold discussions towards further understanding of the Company's stakeholders' perspectives. We also provide information on our businesses and operations to newly appointed directors.

[Principle 5-1. Policy for Constructive Dialogue with Shareholders]

We believe that our shareholders and investors are important stakeholders and that we are partners in enhancing our corporate value. Based on this understanding, we have established the following policies to promote constructive dialogue.

(i) Appointment of directors and executives to conduct constructive dialogue with shareholders

We promote IR under the supervision of the CFO.

(ii) Measures for communication within the internal division to assist such dialogue

The department in charge of IR is the Corporate Administration Division. We have business management, finance, accounting, and legal functions within this division, and we cooperate in a timely

manner to support dialogue with shareholders.

(iii) Efforts to enhance the methods of dialogue other than individual interviews
 We endeavor to enhance the provision of information by regularly holding financial results briefings and posting financial results briefing materials on our website.

(iv) Appropriate and effective feedback to senior management and the Board of Directors regarding shareholder opinions and concerns identified through dialogue
 Details of dialogue with shareholders are recorded and kept by the officers and persons in charge of IR activities and are shared with the Board of Directors and senior management as appropriate depending on the content.

(v) Measures for managing insider information in dialogue
 We have established internal regulations on the management of insider information. We restrict information distribution and conduct training for executives and employees.
 In addition, to prevent leakage of financial information and to ensure the fairness of information disclosure, we have set a silent period and refrain from answering questions or commenting on the financial results and performance outlook during the relevant period.

2. Capital Structure

Foreign Shareholding Ratio	30% or more
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[Status of Major Shareholders] [Updated]

Name / Company Name	Number of Shares	Percentage (%)
Yasukane Matsumoto	4,977,100	17.33
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,583,100	9.00
Custody Bank of Japan, Ltd. (Trust Account)	1,652,700	5.76
NORTHERN TRUST CO. (AVFC) REIEDU UCITS CLIENTS NON TREATYACCOUNT 15.315 PCT (Standing proxy: The Hongkong and Shanghai Banking Co., Ltd. Tokyo branch)	1,199,000	4.18
THE BANK OF NEW YORK MELLON 140051 (Standing proxy: Mizuho Bank, Ltd.)	1,117,300	3.89
Custody Bank of Japan, Ltd. (Securities Investment Trust Account)	1,083,200	3.77
Custody Bank of Japan, Ltd. (Trust Account 9)	832,900	2.90
THE BANK OF NEW YORK 133652 (Standing proxy: Mizuho Bank, Ltd.)	735,100	2.56
BNYM SA/NV FIR BNYM FOR BNYM GCM CLIENT ACCTS M ILM FE (Standing proxy: MUFG Bank, Ltd.)	640,831	2.23
THE BANK OF NEW YORK 133612 (Standing proxy: Mizuho Bank, Ltd.)	599,400	2.09

Controlling Shareholder (Excluding Parent Company)	-
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Parent Company	None
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Supplementary Explanation [Updated]

1. The above Foreign Shareholding Ratio and Status of Major Shareholders section are all information as of July 31, 2021.
2. Large Shareholding Report available to the public on June 19, 2020 stated that Goldman Sachs Co., Ltd. and 2 co-holders hold shares as of June 15, 2020. However, this report is not included in the above list of major shareholders as it cannot be confirmed on the shareholder registry as of the end of the current fiscal year.
3. Large Shareholding Report available to the public on December 10, 2020 stated that submitted by Coupland Cardiff Asset Management LLP holds shares as of December 7, 2020. However, this report is not included in the above list of major shareholders as it cannot be confirmed on the shareholder registry as of the end of the current fiscal year.
4. Large Shareholding Report available to the public on February 19, 2021 stated that Bailey Gifford & Co., Ltd. and 1 co-holder hold shares as of February 15, 2021. However, this report is not included in the above list of major shareholders as it cannot be confirmed on the shareholder registry as of the end of the current fiscal year.
5. Large Shareholding Report available to the public on May 19, 2021 stated that JP Morgan Asset Management (Japan) Ltd. and 2 co-holders hold shares as of May 14, 2021. However, this report is not included in the above list of major shareholders as it cannot be confirmed on the shareholder registry as of the end of the current fiscal year.
6. Large Shareholding Report available to the public on June 22, 2021 stated that Fidelity Investments (Japan) Ltd. hold shares as of June 15, 2021. However, this report is not included in the above list of major shareholders as it cannot be confirmed on the shareholder registry as of the end of the current fiscal year.
7. Large Shareholding Report available to the public on July 16, 2021 stated that Mizuho Securities Co., Ltd. and 2 co-holders hold shares as of July 9, 2021. However, this report is not included in the above list of major shareholders as it cannot be confirmed on the shareholder registry as of the end of the current fiscal year.
8. Large Shareholding Report available to the public on July 21, 2021 stated that Sumitomo Mitsui Trust Asset Management Co., Ltd. and 1 co-holder hold shares as of July 15, 2021. However, this report is not included in the above list of major shareholders as it cannot be confirmed on the shareholder registry as of the end of the current fiscal year.
9. The shareholding ratio is calculated by deducting treasury stock (12,100 shares) from the total number of issued shares and rounded to the nearest third decimal place.

3. Corporate Attributes

Listed Stock Exchange and Market Classification	Tokyo Stock Exchange / First Section
Fiscal Year End	July
Industry	Information and communication industry
Number of (Consolidated) Employees as of the End of the Most Recent Fiscal Year	100 or more but less than 500
(Consolidated) Net Sales as of the End of the Most Recent Fiscal Year	JPY10 bn or more but less than JPY100 bn
Number of Consolidated Subsidiaries as of the End of the Most Recent Fiscal Year	Less than 10

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

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

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II. Status of Management Organization and Other Corporate Governance Systems Related to Management Decision-making, Execution and Supervision

1. Matters Related to Organizational Structure and Operation

Form of Organization	Company with Audit & Supervisory Committee
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[Directors]

Number of Directors under the Articles of Incorporation [Updated]	14
Term of office of directors as stipulated in the Articles of Incorporation	1 Year
Chairperson of the Board of Directors	CEO
Number of Directors [Updated]	12
Status of Appointment of Outside Directors	Appointed
Number of Outside Directors	6
Number of Outside Directors Designated as Independent Directors	6

Relationship with the Company (1) **[Updated]**

Name	Attribute	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Yoshihiko Miyauchi	From another company											
Kenji Kobayashi	From another company											
Yumiko Murakami	From another company											
Naomi Mori	Certified Public Accountant											
Masahiro Kotosaka	Academic											
Junko Utsunomiya	Lawyer											

* Categories for “Relationship with the Company”

* “○” when the director presently falls under 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 under or has recently fallen under the category, “▲” when a close relative of the director fell under the category in the past.

a. Executive officer of a listed company or its subsidiary

b. Executive officer or non-executive director of a listed company’s parent company

c. Executive officer of a fellow subsidiary of a listed company

d. A person whose major client or supplier is a listed company or is an executive officer thereof

e. A person who is a major client or supplier of a listed company or an executive officer thereof

f. Consultant, accounting or legal professional who receives a large amount of money or other property benefit other than officer’s remuneration

g. A major shareholder of a listed company (if the relevant major shareholder is a legal entity, an executive officer of said legal entity)

h. An executive officer of a client or supplier (not corresponding to d, e or f) of a listed company (himself/herself only)

i. An executive of a company with which outside officers are mutually appointed (himself/herself only)

j. An executive of a company that receives donations from a listed company (himself/herself only)

k. Other

Relationship with the Company (2) [Updated]

Name	Audit & Supervisory Committee Member	Independent Director	Supplementary Explanation of Relationship with the Company	Reason for Appointment
Yoshihiko Miyauchi		○	-	<p>Mr. Yoshihiko Miyauchi can be expected to provide advice on the Company's overall management based on his wealth of experience and a wide range of knowledge and insight as a corporate manager gained through his career of serving as a representative director of a listed company. Accordingly, the Company judges that he is qualified to make decisions regarding important management matters and supervise business execution, and proposes his election as an Outside Director. He is expected to continue to share opinions from a broader perspective on our overall corporate governance system, which we will evolve and improve in the future. He owns 1,320 shares of our stock, but there are no other personal, capital, business relationships or other interests between himself and the Company.</p>
Kenji Kobayashi		○	-	<p>Mr. Kenji Kobayashi can be expected to provide advice on the Company's overall management based on his wealth of experience and a wide range of knowledge and insight as corporate manager gained through his career of serving as manager at a listed company. Accordingly, the Company judges that he is qualified to make decisions regarding important management matters and supervise business execution, and proposes his election as an Outside Director. He is expected to continue to strengthen the Company's governance system from both offense and defense perspectives in portfolio management as a listed company. He owns 1,200 shares of our stock, but there are no personal, capital, business or other interests between himself and the Company.</p>

Yumiko Murakami		○	-	<p>Ms. Yumiko Murakami can be expected to provide advice on the Company's overall management based on her wealth of experience and a wide range of knowledge and insight at international organizations and global companies. Accordingly, the Company judges that she is qualified to make decisions regarding important management matters and supervise business execution, and proposes her election as an Outside Director. She is expected to contribute to the Company's management with respect to the globalization of the Company's organization, the perspective as an investor towards portfolio management, and the promotion of diversity which is a precondition for sustainable growth.</p>
Naomi Mori	○	○	-	<p>Ms. Naomi Mori is a certified public accountant who has expertise in finance and accounting as well as wealth of experience in auditing. The Company thus expects that she will reinforce the Company's governance system by leveraging such expertise and experience to audit and supervise the Company's overall management, and has appointed her as an Outside Director. Based on her insights in finance, accounting, auditing, etc., she is expected to continue her contribution in the Company's governance towards establishing a responsible management foundation as a public institution of society. She owns 10,720 shares of our stock, but there are no other personal, capital, business relationships or other interests between herself and the Company.</p>
Masahiro Kotosaka	○	○	-	<p>Mr. Masahiro Kotosaka has wealth of experience in corporate management and consulting as well as professional knowledge and insight in business administration. The Company thus expects that he will contribute to reinforce the Company's governance system by monitoring and providing effective advice on the Company's overall management based on such experience, knowledge and insight, and has appointed him as an Outside Director. Based on his insights in management strategy and academic research, etc., he is expected to continue his contribution in the Company's governance towards establishing a</p>

				responsible management foundation as a public institution of society. He owns 720 shares of our stock, but there are no other personal, capital, business relationships or other interests between himself and the Company.
Junko Utsunomiya	○	○	-	Ms. Junko Utsunomiya has considerable expertise and broad insight as an attorney-at-law and is an expert in corporate law. The Company thus expects that she will reinforce the Company's governance system by providing appropriate advice and suggestions regarding overall management, and has appointed her as an Outside Director. Based on her insights in legal and compliance matters, etc., she is expected to continue her contribution in the Company's governance towards establishing a responsible management foundation as a public institution of society. She owns 720 shares of our stock, but there are no other personal, capital, business relationships or other interests between herself and the Company.

[Audit & Supervisory Committee]

Composition of the Committee and Attributes of the Chairman

	All members	Full-time Members	Internal directors	Outside Directors	Chairperson
Audit & Supervisory Committee	3	0	0	3	Outside Director

Directors and Employees that Assist the Duties of the Audit & Supervisory Committee	None
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Reasons for Adopting the Current System **[Updated]**

Considering the scale of our business and organization, we do not have any independent directors or employees.

Cooperation among the Audit & Supervisory Committee, Accounting Auditor, and the Internal Audit Division

The Audit & Supervisory Committee regularly exchanges opinions with the accounting auditor and receives explanations from the accounting auditor of the audit plan and the results of audits on quarterly and full-year financial results. In addition, the Audit & Supervisory Committee exchanges opinions whenever concerns arise regarding individual audits. In addition, information is regularly exchanged with the Internal Audit Division on development/establishment of the internal control system and risk assessments.

[Voluntary Committees]

Existence of Voluntary Committees equivalent to Nomination Committee or Remuneration Committee	Yes
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Establishment of Voluntary Committees, Members, and Attributes of the Chairperson **[Updated]**

	Title of the committee	All members	Full-time members	Internal directors	Outside Directors	Outside experts	Others	Chair-person
Voluntary Committee equivalent to Nominating Committee	Nomination and Remuneration Committee	3	1	1	2	0	0	Outside director
Voluntary Committee equivalent to Remuneration Committee	Nomination and Remuneration Committee	3	1	1	2	0	0	Outside director

Supplementary Explanation

The Nominating and Remuneration Committee is composed of a majority of independent outside directors and is primarily responsible for the appointment of directors and the formulation of remuneration, as described in [Remuneration for Directors] above.

In addition, the Company has established the Executive Committee as a separate voluntary committee to strengthen the transparency and objectivity of business execution and decision-making by the Board of Directors or the CEO.

[Independent Officers]

Number of Independent Officers	6
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Other Matters Related to Independent Officers

All persons who qualify as independent directors are designated as independent directors. In addition, we have established independence standards for outside directors based on the law and concept of the independent officer stipulated by the Tokyo Stock Exchange.

The Company has formulated the “criteria for determining the independence of outside directors” (<https://corp.raksul.com/en/ir/governance/>) and judges the independence of outside directors in accordance with these standards.

[Incentives]

Implementation Status of Initiatives regarding Incentives for Directors	Implementation of stock option plans, etc.
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Supplementary Explanation

The Company has introduced a stock option plan with the aim of enhancing motivation and morale towards improving business performance and enhancing equity value over the medium to long term.

Separately, at the 10th Ordinary General Meeting of Shareholders held on October 17, 2019, a resolution was passed to introduce a restricted stock remuneration plan. The total amount of monetary remuneration claims to be paid to directors (excluding directors serving as Audit & Supervisory Committee members) in the form of remuneration, etc. related to restricted stock is no more than JPY 500MM per year (of which, the amount for outside directors is no more than JPY50MM; provided however, that employee salaries are not included). The total number of restricted shares to be allocated is limited to 133k shares (including 13k shares for outside directors). The total amount of monetary remuneration receivable to be paid to directors who are members of the Audit & Supervisory Committee is limited to JPY50MM per year, and the total number of restricted shares is limited to 13k shares. Provided, however, that the total amount of such monetary remuneration claims is assumed to be paid in a lump-sum amount equivalent to the consideration for the performance of duties for three fiscal years in principle, and in the event a director, advisor, or employee resigns or retires from any position within the transfer limitation period, the shares allocated to such persons are to be acquired by the Company free of charge. The Board of Directors have reviewed the officer remuneration system for restricted stock remuneration by receiving guidance and advice from external professional firms, and after numerous discussions we have reached a resolution to introduce this system.

Eligible Persons for Stock Options	Internal directors, outside directors, employees, and others
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Supplementary Explanation

Among the persons eligible for the above grants, directors (excluding directors serving on the Audit & Supervisory Committee) have been introduced with the aim of providing incentives to continuously enhance corporate value and to increase their motivation to contribute to higher stock prices and corporate value. The incentives have been introduced to directors serving on the Audit & Supervisory Committee with the aim of fostering shared interests with shareholders as well as to increase our corporate value through the prevention of loss of corporate value, and ensuring proper supervisory function to judge the appropriateness of business execution from an objective standpoint.

[Remuneration for Directors]

Status of Disclosure (of Individual Directors' Remuneration)	We do not disclose individual remuneration
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Supplementary Explanation

As there are no persons whose total remuneration is JPY100MM or more, we do not disclose individual remuneration. Remuneration for directors etc. are disclosed in aggregate amount by officers' classification.

Policy for Determining the Amount of Remuneration or the Calculation Method	Yes
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Disclosure of Policy for Determining the Remuneration Amount or the Calculation Method

As stated in I.1. Basic Policy, our corporate vision is "Better Systems, Better World" and our goal is to redesign the structure and value chain of conventional industries with the help of the Internet. Since transformation requires a long period of time, we believe it is of the utmost importance to establish corporate governance that contributes to achieving long-term growth and corporate value enhancement.

Individual remuneration for our directors is also determined based on the above concept. In addition, as a company in the process of growth, we will continue to pursue corporate governance that functions as a viable system according to the company stage with flexibility towards changes.

Details of the decision-making policy are as follows.

(Policies for Determining the Amount of Individual Remuneration, etc. or the Method of Calculation)

We grant restricted stock as non-monetary remuneration in addition to fixed monetary remuneration.

Fixed monetary remuneration is determined by taking into account the responsibilities of each director, the Company's performance, contributions to the building of corporate value over the medium to long term and acquiring talent. Regarding executive directors, the Company emphasizes decision-making and execution in order to realize discontinuous growth aimed at realizing our vision.

With respect to non-executive directors, in order to realize our vision, we emphasize the monitoring aspect (check and balance) that secures diversified and sound risk-taking from an independent standpoint.

Non-monetary remuneration, restricted stock, is granted for the purpose of providing an incentive to continuously improve corporate value and increasing the willingness to contribute to higher stock price and corporate value. The number of shares granted is determined by taking into account our share price level in addition to the factors considered in the previous section.

The percentage of fixed monetary remuneration and non-monetary remuneration (restricted stock) is generally 1:1, assuming a monetary valuation based on our stock price at the time of determination.

(Policy on Determination of Timing and Conditions of Remuneration etc.)

Based on the business results from the previous fiscal year, the Company considers and determines the remuneration between the end of the fiscal year and the first meeting of the Board of Directors after the Ordinary General Meeting of Shareholders.

Fixed monetary remuneration is paid in a fixed monthly amount, and non-monetary remuneration in the form of restricted stock is paid in a lump sum every November in an amount equivalent to the remuneration for the execution of duties over the following three fiscal years.

(Method of Determining the Content of Individual Remuneration, etc. of Directors)

From the end of the fiscal year which ended July 31, 2021, the Company has adopted a policy of having the voluntary Nomination and Remuneration Committee formulate remuneration proposals and then having the Board of Directors pass resolutions on them.

In addition, the Company's policy with respect to the voluntary Nomination and Remuneration Committee is to have the majority of its members as independent outside directors.

For directors who are members of the Audit & Supervisory Committee, remuneration is determined through consultation with the Audit & Supervisory Committee.

(Other Important Matters)

In addition to the above remuneration framework, we issue paid stock options to directors. Although this stock option does not fall under the category of remuneration under the Companies Act as each director acquires stock acquisition rights based on their own investment decisions, it is considered significant in establishing corporate governance for the realization of our corporate vision.

[Support System for Outside Directors]

The Company does not assign full-time staff to outside directors. However, the Corporate Administration Division provides support as necessary, such as providing advance notice of the dates of meetings of the Board of Directors and matters to be resolved.

2. Matters Related to the Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Outline of the Current Corporate Governance System) [Updated]

We have 9 directors including 3 outside directors, and 3 directors serving on the Audit & Supervisory Committee, all of whom are non-executive outside directors. All of our outside directors are designated as independent directors in accordance with the provisions of the Tokyo Stock Exchange. The term of office for directors (excluding directors serving on the Audit & Supervisory Committee) is 1 year, and the term of office for directors serving on the Audit & Supervisory Committee is 2 years.

(a) Board of Directors

In principle, the Board of Directors meets once a month, and extraordinary meetings are held as necessary. In addition to the regular monthly meetings, the Board of Directors, as a management decision-making body, deliberates and decides on matters stipulated in laws and regulations or the Articles of Incorporation as well as other important matters related to management policies, and supervises the execution of duties by each director.

(b) Audit & Supervisory Committee

The Audit & Supervisory Committee meets once a month in principle, and extraordinary meetings are held as necessary. The Audit & Supervisory Committee exercises its supervisory function by deepening awareness of the current situation and the issues facing the Company through active discussions at meetings of the Board of Directors. The Audit & Supervisory Committee also exchanges opinions with the accounting auditor on a regular basis, and receives explanations from the accounting auditor regarding auditing policies and plans, as well as the results of audits on quarterly and full-year financial results. In addition, the Audit & Supervisory Committee exchanges opinions whenever concerns arise regarding individual audits. The Audit & Supervisory Committee also regularly exchanges information with the Internal Audit Division and exchanges opinions on the development and establishment of internal control systems and risk assessment. By sharing information with the accounting auditor and the Internal Audit Division, the Audit & Supervisory Committee enhances the effectiveness of its audits and makes recommendations for corrective actions as necessary.

(c) Nomination & Remuneration Committee (Voluntary Committee)

The Nomination and Remuneration Committee, as one of the voluntary committees, has been established with the purpose of ensuring objectivity and transparency regarding the nomination and remuneration of directors, with the majority of its members being independent outside directors. The committee is mainly responsible for the appointment of directors and the formulation of their remuneration. Proposals for the appointment and remuneration of directors are reviewed by the Nomination and Remuneration Committee and then resolved by the Board of Directors.

(d) Executive Committee (Voluntary Committee)

As one of the voluntary committees, the Executive Committee consists of members appointed by the Board of Directors with the purpose of ensuring objectivity and transparency in the execution of important business operations by the CEO. The Executive Committee is mainly responsible for the formulation of strategic budget plans, the nomination of persons to execute the plans, and the appointment and dismissal of important employees for discontinuous innovation from the perspective of increasing corporate value by optimizing the business portfolio of the entire company. Proposals are reviewed by the Executive Committee and then executed by the CEO, etc.

(e) Management Meeting etc.

The Company has established companywide Management Meeting as well as management meetings in each business unit as a body responsible for important decision-making in business execution. The Management Meeting is composed of executive directors and deliberates and makes resolutions on important matters related to business execution across the entire company. The meetings in each business unit were established as bodies responsible for important decision-making in business execution in each business unit and are composed of members appointed by the CEO after deliberation by the Executive Committee.

3. Reasons for Adoption of Current Corporate Governance System

In order to strengthen the supervisory function of the Board of Directors and further enhance corporate governance, we have transitioned to a company with an Audit & Supervisory Committee based on the resolution of the 10th General Meeting of Shareholders held on October 17, 2019.

In the fiscal year ending July 2021, we established the Nominating and Remuneration Committee (with a majority of its members being outside directors) and the Executive Committee as voluntary committees, and introduced a system to enhance the objectivity and transparency of the management of the Board of Directors and the execution of business operations, including the CEO.

Going forward, as we aim to further grow and diversify our business over the medium to long term, we will continue to consider reviewing our governance structure including voluntary committees, and transitioning to a company with a Nominating Committee etc. in the future.

III. Implementation of Measures for Shareholders and Other Interested Parties

1. Efforts for Active General Shareholders Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanation
Early Dispatch of Shareholders Meeting Convocation Notices	We strive to send out convocation notices as soon as possible so that shareholders can have sufficient time to consider the proposals.
Scheduling Shareholders Meetings to Avoid Peak Periods	Since the fiscal year-end is July, we hold the annual general meetings in October every year, which allows shareholders to thoroughly review and reliably exercise their voting rights. In order to communicate with shareholders as much as possible, we are striving to secure a place that is physically accessible and easy to attend.
Voting by Electronic Means	The Company is able to exercise its voting rights via the Internet and other means.
Participation in Electronic Voting Platform and Other Efforts to Improve the Exercise of Voting Rights by Institutional Investors	The electronic voting platform was introduced at the ordinary general meeting of shareholders in the fiscal year ended July 2019.
Provision of Convocation Notices (Summaries) in English	Since the annual general meeting of shareholders for the year ending July 2019, we prepare the summarized convocation notices in English and post them on our website (https://corp.raksul.com/en/ir/stock/).

2. Investor Relations Activities [Updated]

	Supplementary Explanation	Presentation by the CEO
Creation and Publication of disclosure policy	We disclose the information on a dedicated IR website. URL: https://corp.raksul.com/en/ir/disclosure/	
Regular Briefings for Individual Investors	We regard this to be a matter to be considered in the future if necessary.	No
Periodic Presentation for Analysts and Institutional Investors	We hold briefings for analysts and institutional investors, and the CEO explains our business performance and management policies.	Yes
Regular Briefings for Overseas Investors	Several times a year, we hold individual meetings with overseas institutional investors in Europe, the Americas, and Asia.	Yes
IR Information on Website	Financial results, timely disclosures, etc. are posted on the dedicated IR website (https://corp.raksul.com/en/ir/)	
Creation of an IR Department	The Corporate Administration Division is the department in charge.	

3. Measures to Ensure Respect for Stakeholders [Updated]

	Supplementary Explanation
Internal Rules and Regulations that Promote Respect for the Status and Position of Stakeholders	Related information is available on our website. (https://corp.raksul.com/en/esg/)
Environmental Preservation and CSR Activities	Related information is available on our website. (https://corp.raksul.com/en/esg/)
Policy Formulation for the Disclosure of Information to Stakeholders	Our policy is to actively disclose information to stakeholders through our website (https://corp.raksul.com/en/esg/), financial results briefings, etc.

IV. Matters Related to Internal Control Systems, etc.

1. Basic Policy and Structures Regarding Internal Control Systems

We strive to strengthen our corporate governance system in order to ensure the appropriateness of management, increase transparency, and ensure thorough compliance in management. In addition, the Board of Directors has established the Basic Policy on Internal Control Systems.

1. System to ensure that the execution of duties by directors and employees complies with laws and regulations or the Articles of Incorporation

(1) Compliance Regulations shall be established so that all directors and employees of the Company comply with laws, regulations, and the Articles of Incorporation and respect ethics.

(2) We shall maintain a system that allows directors and employees to report violations of laws and regulations using our internal reporting desk for compliance and monitor the functioning of the compliance system.

(3) The Board of Directors shall decide on the Basic Policy on the Internal Control System, including the system to comply with laws and regulations and the Articles of Incorporation, etc., and supervise the status of implementation thereof, and review the Basic Policy from time to time.

(4) The Audit & Supervisory Committee shall investigate the status of business execution, including the establishment and implementation of an internal control system, and audit the execution of duties by directors from an independent standpoint.

(5) The Internal Audit Division, which reports directly to the CEO, shall conduct internal audits of each division, including the effectiveness of the internal control system, based on the Internal Audit Regulations and the annual internal audit plan. The results of audits shall be regularly reported to the CEO and the status of internal audits shall also be reported to the Audit & Supervisory Committee.

2. System to maintain and manage information relating to directors in the execution of their duties
The Company shall appropriately store and manage the minutes of general meetings of shareholders, minutes of meetings of the Board of Directors, and other statutory documents, as well as documents (including electronic records; the same shall apply hereinafter) containing information pertaining to the execution of important duties, together with related materials, in accordance with the Document Control Regulations and other internal regulations. Directors may inspect these documents at any time as necessary to supervise and audit the execution of the duties of directors.

3. System and regulations for managing risks of losses

(1) We shall establish Risk Management Regulations that systematically define our risk management and establish and operate a risk management system based on these rules.

(2) The department in charge of risk management operations shall regularly report the status of risk management to the Board of Directors for comprehensive management.

(3) In the event of a large-scale accident, disaster, scandal, etc., take prompt action as well as adopt a crisis response system headed by the CEO to prevent damage and the spread of such damage.

4. System to ensure the appropriateness of business operations in our corporate group consisting of the Company and its subsidiaries (hereinafter referred to as the "Group")

(1) Subsidiary management and reporting system

We established Regulations on Management of Affiliated Companies and provide management support so that subsidiaries can efficiently achieve their management objectives. Regarding important management matters of subsidiaries, we shall decide matters that require prior approval and/or reporting to the Company in principle, taking into account the nature and scale of the operations of our subsidiaries.

(2) Rules and other systems for managing the risks of losses of subsidiaries

We manage the risks of the Group for each risk category, taking into account the nature and scale of the operations of our subsidiaries. In addition, the effectiveness of the management system will be reviewed periodically.

(3) System to ensure efficient execution of duties by directors etc. of subsidiaries

When we have a consolidated subsidiary, we formulate a management plan on a consolidated basis, provide management guidance to the subsidiary in order to achieve the management plan, and provide support from the Company such as group financing and other functions.

(4) System to ensure that the execution of duties by directors etc. and employees of subsidiaries complies with laws and regulations and the Articles of Incorporation

We established Compliance Regulations with respect to the establishment of a compliance system and conduct regular monitoring and reviews of the status of implementation of such matters. We also conduct education and training at subsidiaries as necessary to ensure thorough group-wide compliance. The business activities of subsidiaries shall also be subject to internal audits by the Internal Audit Division if necessary.

5. System for ensuring efficient execution of directors' duties

(1) In order to ensure the efficient execution of duties by directors, the Board of Directors shall hold regular monthly meetings and extraordinary meetings as necessary to make prompt and appropriate decisions. In addition, in executing duties based on the decisions made by the Board of Directors, the directors shall execute their duties efficiently.

(2) In addition to the Board of Directors, the Executive Committee shall be convened as needed to ensure the efficient execution of duties by Directors, and management policies and business strategies shall be determined within the threshold amount stipulated in the Delegation of Authorities.

6. Matters in cases where the Audit & Supervisory Committee requests the appointment of employees who are to assist in the performance of their duties, matters concerning the independence of such employees from directors other than the Audit & Supervisory Committee Members, and matters ensuring the effectiveness of instructions given to such employees

In cases where the Audit & Supervisory Committee requires that an employee assist the Audit & Supervisory Committee in its duties, the Board of Directors, in consultation with the Audit & Supervisory Committee, appoints an employee to assist the Audit & Supervisory Committee (no directors will assist the Audit & Supervisory Committee). The appointment, transfer, evaluation, and command of employees shall be subject to the prior consent of the Audit & Supervisory Committee and shall ensure the independence and effectiveness of instructions from directors other than the Audit & Supervisory Committee members.

7. System to report to the Audit & Supervisory Committee and a system to ensure that directors, employees, etc. (including persons belonging to our Group) do not receive disadvantageous treatment by reason of reporting to the Audit & Supervisory Committee

(1) Directors and employees shall report to the Audit & Supervisory Committee Members without delay on the contents of important matters that may affect business or business performance, as well as the status and results of business execution. In addition, the Audit Committee may, where necessary, request reports from directors and employees from time to time.

(2) The internal reporting system shall be established, and it shall be clearly stipulated in the Internal Reporting Regulations that the employee shall not be subject to any disadvantageous treatment as a result of the report, and such regulations shall be thoroughly disseminated.

8. Other systems to ensure the effective implementation of audits by the Audit & Supervisory Committee

(1) The Audit & Supervisory Committee meets regularly with the CEO to exchange opinions on management policies, issues to be addressed by the Company, risks surrounding the Company, the status of the improvement of the audit environment, and other important audit issues.

(2) The Audit & Supervisory Committee regularly exchanges opinions to ascertain the status of audits of the entire company and examine issues.

(3) The Internal Audit Division shall maintain close cooperation with the Audit & Supervisory Committee, including the exchange of information with the Audit & Supervisory Committee.

(4) The Audit & Supervisory Committee shall ensure the budget for implementing the audit plan. In the event where the Audit & Supervisory Committee makes a request for advance payment of expenses etc. pursuant to Paragraph 4 of Article 399-2 of the Companies Act with respect to the execution of its duties, such expenses shall be promptly paid unless it is deemed that the expenses pertaining to such request are not necessary for the execution of the duties by the Audit & Supervisory Committee Member.

9. System to ensure the reliability of financial reporting

The CEO shall establish an effective and appropriate internal control system based on the Financial Instruments and Exchange Act in order to ensure the reliability of financial reporting. The CEO shall also continuously evaluate the status of maintenance and operation, implement necessary corrective measures, and establish an effective system.

10. System to eliminate anti-social forces

(1) We shall set forth in our policy on the conduct of activities that we will resolutely confront anti-social forces and organizations that threaten the order and safety of civil society from social responsibility and corporate defense perspectives.

(2) In the event of unfair demands from antisocial forces, the Company will adopt a firm stance in cooperation with the police and other external professional organizations.

2. Basic Policy and Systems to Eliminate Anti-Social Forces

Our policy is to exclude any relationships with antisocial forces and organizations that threaten the order and safety of civil society and to respond firmly to unfair demands, etc.

In order to conduct fair and sound management and business activities, we have stipulated in the Regulations Concerning the Elimination of Antisocial Forces that we will prevent any involvement and the provision of interests to antisocial forces. In addition, the Company has established a department to respond to unreasonable requests in an organized manner and cooperates with the police, lawyers, and other external professional organizations.

V. Others

1. Implementation of Anti-Takeover Measures

Implementation of Anti-Takeover Measures	None
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Supplementary Explanation

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2. Other Corporate Governance Related Matters

Flow diagrams of our corporate governance system and timely disclosure procedures are attached as reference materials.



