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## Corporate Governance Report

Latest Revision:	December 22, 2021
Company:	User Local, Inc.
TSE Code:	3984
Representative:	Masao Ito Representative Director & CEO
Inquiries:	Administrative Division 03-6435-2167
URL:	<a href="https://www.userlocal.jp/">https://www.userlocal.jp/</a>

The corporate governance of User Local, Inc. (the “Company”) is described below.

### **I. Our Basic Policy on Corporate Governance, Capital Structure, Company Attributes, and Other Basic Information**

#### **1. Our Principle**

Under the mission of “Driving global evolution by combining big data and AI”, the Company positions the enhancement of corporate governance as the most important issues. The Company believes that it is important to continue to maximize sustainable corporate value and contribute to society while building relationship of trust with all stakeholders.

Based on this recognition, the Company has committed to highly transparent management with enhancement of the efficiency and soundness of management.

The Company’s corporate governance priorities

- To enhance management supervision by the Board of Directors and the Audit and Supervisory Board to ensure accountability to shareholders.
- To reinforce internal control system and compliance to enhance the corporate value
- To engage in constructive dialog with stakeholders and disclose corporate information appropriately.

#### **Rationale for Not Implementing Certain Principles of the Corporate Governance Code**

[Applicable Code]

The statements are described based on the revised Code of June 2021 which includes principles for companies listed on the Prime Market.

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[Supplementary Principle 2.4.1 Voluntary and Measurable Goals for Ensuring Diversity]

The Company believes that employees are the most important asset and the foundation for the growth of the Company. The Company is working on initiatives aimed at formulating human resources strategies and developing the environment in which each employee with diverse values and expertise can demonstrate their abilities to the fullest. The Company has also created the workplace where employees can be active regardless of ages or gender with promoting younger employees and female employees in management positions.

On the other hand, the Company does not establish target values for each attribute because the Company has set the primary goal to attract talented employees with equal opportunities for assessment and promotion regardless of gender, nationality, etc.

[Supplementary Principle 3.1.3 Disclosure, etc. Based on TCFD Recommendations]

The Company is mainly engaged in the cloud-based business and as of today, it does not any impact of climate change-related issues on the Company's business. Therefore, it does not make any disclosure, etc. based on TCFD recommendations. However, the Company regards addressing climate change-related issues as an important initiative to ensure stable development of the economy and secure a safety of life of people. Therefore, the Company uses the data center that uses 100% green electricity, and also works to digitize paperwork and save energy of the office.

[Supplementary Principle 4.1.2 Disclosure of Medium-term Management Plan]

Due to the rapid changes in the environment and technology of the industry we belong to, the Company believes that it is not appropriate to formulate a medium-term plan with specific targets. The Company explains about the medium- to long-term management strategies through IR to promote understanding among shareholders and investors.

[Supplementary Principle 4.1.3 Succession Plan]

The Company regards a succession plan for the Representative Director and the other top executives as an important issues and considers this matter on the Board of Directors, including Independent Outside Directors. The Company believes that we should set the succession plan adequately under the supervision of the Board of Directors going forward.

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### [Supplementary Principle 4.10.1 Use of Optional Approach]

The Company has not established any optional advisory committees as of now. However, the decisions on the appointment, dismissal and remuneration of Directors are subject to the approval of the Board of Directors that consists of Directors and Independent Outside Directors. The Company believes that we have established a system for appropriate involvement and advice of Independent Outside Directors. As of now, the system is functioning properly, and the Company considers that it is no need to set up any optional advisory committees.

### **Disclosure Based on the Principles of the Corporate Governance Code**

#### [Applicable Code]

The statements are described based on the revised Code of June 2021 which includes principles for companies listed on the Prime Market.

#### [Principle 1.4 Cross-Shareholdings]

The Company does not hold the any listed shares as cross-shareholdings. If the Company conducts cross-shareholdings in the future, the Company will do so only after the Board of Directors examines whether the cross-shareholdings are reasonable and appropriate.

#### [Principle 1.7 Related Party Transactions]

The Company has a basic policy of not engaging in related party transactions. If the Company conducts transactions with its Directors and their close relatives, the Company will do so only after the Board of Directors examines whether the transactions are reasonable and appropriate. And the status of such transactions will be reported to the Board of Directors regularly.

#### [Supplementary Principle 2.4.1 Voluntary and Measurable Goals for Ensuring Diversity]

The Company believes that employees are the most important asset and the foundation for the growth of the Company. The Company is working on initiatives aimed at formulating human resources strategies and developing the environment in which each employee with diverse values and expertise can demonstrate their abilities to the fullest. The Company has also created the workplace where employees can be active regardless of ages or gender with promoting younger employees and female employees in management positions.

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The Company actively recruits employees on the basis of equal evaluation regardless of gender, nationality, etc. With respect to the status of ensuring diversity as of end of the previous fiscal year, the share of females at managerial positions was 27%.

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

The Company does not have a company pension fund.

### [Principle 3.1 Full Disclosure]

#### (i) Corporate mission

Under the mission of “Driving global evolution by combining big data and AI”, the Company developing business. Observing user behavior from the perspective that the user is always right, the Company has delivered the services that meet the needs of the times and established the system of low-cost operations that can be offered to a large number of customers over the long term.

The forecast for the next fiscal year is disclosed in the Summary of Financial Results.

#### (ii) Basic Views and Guidelines on Corporate Governance Based on Each of the Principles of the Code

For the Company’s basic views and guidelines on corporate governance, please refer to “ I .1 Our Principle of Our Basic Policy on Corporate Governance, Capital Structure, Company Attributes, and Other Basic Information.

#### (iii) Board Policies and Procedures in Determining the Remuneration of Senior Management and Executive Directors

The Company’s policy on determining the remuneration of Directors is to determine the amount and the method of calculation at a level appropriate to the roles and responsibilities of the Directors, and it consists of fixed compensation and stock compensation. The amount of individual fixed remuneration for Directors is delegated to Representative Director within the limit of the total remuneration amount resolved at the General Meeting of Shareholders which was held on October 10, 2014 after discussion by the Board of Directors, taking into consideration the duties to be assigned, the performance of each fiscal year, the degree of contribution, the trends of other companies in the same industry, and other factors. The Company introduced a restricted stock compensation plan as the stock compensation, and the amount of individual remuneration has been determined following discussion by the Board of Directors in consideration of the purpose of providing incentives for the sustainable

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enhancement of the Company's corporate value within the amount approved at the Ordinary General Meeting of Shareholders to be held on September 22, 2021 which is within the existing compensation limit above.

### (iv) Board Policies and Procedures for the Appointment/Dismissal of Senior Management and the Nomination of Executive Director and Auditor Candidates

The Company nominates candidates for Directors, taking into account the results of the director's evaluation and the employee's personnel evaluation, and proposes at the ordinary general meeting of shareholders by resolution of the Board of Directors. In nominating candidates for Outside Directors, the Company nominates the persons, taking into account the balance between experience, knowledge, skills and diversity in addition to a high degree of independence, and proposes at the ordinary general meeting of shareholders by resolution of the Board of Directors. In nominating candidates for Audit and Supervisory Board Members, the Company nominates the persons, taking into account the areas of expertise of the Outside Corporate Auditors who are retiring or remaining and proposes at the ordinary general meeting of shareholders by resolution of the Audit and Supervisory Board.

### (v) Explanations with Respect to the Individual Appointments/Dismissals and Nominations Described in (iv)

Reasons for appointment of Directors and Audit and Supervisory Board Members are described on the Notice of Annual General Meeting of Shareholders with their brief personal records.

### [Supplementary Principle 3.1.3 Initiative, etc. on Sustainability]

Under the mission of “Driving global evolution by combining big data and AI”, the Company believes that our business activities, especially such as the services that are provided free of charge and educational activities has been contributing to resolve social issues and sustainable society. Also, these initiatives are high affinity with ESG and the Sustainable Development Goals (SDGs). The Company provides detailed explanation on our initiatives, etc. on sustainability on the Company's website.

Examples of services that we provide free of charge are as follows.

- Providing OCR free of charge for the realization of a paperless society
- Free provision of AI algorithms

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- School education to eliminate social disparities  
(Lectures on AI, entrepreneurship, and language processing at multiple universities)
- Discounts for schools and research institutions (Academic Plan)
- Promotion of DX in school education by providing AI to deter cheating
- Providing personal information masking tools to enhance privacy protection

### [Supplementary Principle 4.1.1 Scope of Authority Delegated to the Management]

The Board of Directors decides on important matters related to the execution of the company's business and supervises the execution of duties by Directors. The “Rules on the Board of Directors” stipulate the matters to be resolved at the Board of Directors meetings, and the Company delegates the other important authority to Representative Director or the executive officers in charge of each operation in order to expedite a decision-making process for business execution.

### [Principle 4.9 Independence Standards and Qualification for Independent Outside Directors]

The Company nominates persons as candidates for Independent Outside Directors who meet the requirements stipulated by Tokyo Stock Exchange, Inc. and have diverse and specialist knowledge and experience required to provide the Company.

### [Supplementary Principle 4.11.1 Board Composition]

The Board of Directors consists of 5 Directors including 2 Independent Outside Directors, although the Company stipulates in the Articles of Incorporation that the number of Directors is more than 3. The Company considers this number is appropriate for the quick and appropriate decision-making as of now. The Company considers the addition of Directors in order to take diversity into account, while maintaining a modest-sized Board of Directors to assure the practicality of the discussion in the Board of Directors.

The Company appoints members who constitutes the Board of Directors, taking into account the balance between experience, knowledge and skills in a variety of fields.

### [Supplementary Principle 4.11.2 Status of Concurrent Positions of Directors]

The Company has confirmed that all Directors and Audit and Supervisory Board Members who have concurrent positions can properly perform their roles and responsibilities at the Company. The status of major concurrent positions of Directors and Audit and Supervisory

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Board Members are described on the Notice of Annual General Meeting of Shareholders.

[Supplementary Principle 4.11.3 Summary of Analysis and Evaluation Results of Effectiveness of the Board of Directors]

The Company conducts a questionnaire survey about the effectiveness of the Board of Directors once a year and exchanges opinions based on the result, including Outside Directors. For the fiscal year ended June 30, 2021 Effectiveness Evaluation of the Board of Directors, we have analyzed and evaluated that the effectiveness of the Board of Directors was generally ensured from the survey results. To further improve the effectiveness of the Board of Directors, the Board of Directors discussed the information (diversity and Medium- to long-term management structure, etc.) aimed at long-term development. Based on the discussion we will conduct initiatives to further enhance the effectiveness of the Board of Directors.

[Supplementary Principle 4.14.2 Training Policy for Directors and Company Auditors]

In order to ensure that Directors and Audit and Supervisory Board Members perform their roles adequately, the Company provides support including costs, such as mediating educational programs provided by external organizations.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

The Company has conducted Investor Relations in accordance with Information Disclosure Policy, and its policy is to disclose information in a timely and fair manner in compliance with relevant laws and regulations. The Company has appointed CFO as executive officer in charge of information disclosure and worked in cooperation with the administrative and sales departments. The Company holds financial results briefings for shareholders, analysts and institutional investors twice a year.

In addition, the Company responds as appropriate to opinions and concerns identified in dialogue with shareholders and shares the information with the Board of Directors or the Audit and Supervisory Board Members as necessary. The Company manages insider information by focusing on matters related to the Company's sustainable growth and medium- to long-term enhancement of corporate value in accordance with the "Information Disclosure Policy" when engaging in dialogue with investors.

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### 2. Capital Structure

Foreign Stock Ownership Ratio	Less than 10%
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#### [Status of Major Shareholders]

Name or Title	Number of Shares Owned	Ratio (%)
Masao Ito	3,794,200	48.02
Custody Bank of Japan, Ltd. (Trust account)	429,200	5.43
YJ2 Investment Business Partnership	360,000	4.55
Kazuyuki Watanabe	340,000	4.30
Custody Bank of Japan, Ltd. (Security investment trust account)	180,200	2.28
Syunsuke Mikami	175,400	2.21
The Master Trust Bank of Japan, Ltd. (Trust account)	169,900	2.15
Crimson Group LLC	160,000	2.02
Yoshikazu Nakamura	107,400	1.35
BBH FOR GRANDEUR PEAK GLOBAL OPPORTUNITIES FUND (Standing Proxy MUFU Bank, Ltd.)	106,100	1.34

Controlling Shareholder Name	—
Parent Company Name	None

#### Supplementary Explanation

• The status of Major Shareholders is as of June 30, 2021.

### 3. Company Attributes

Stock Exchange Section	Tokyo Stock Exchange First Section
Fiscal Year - End	June
Sector	Information and Communication Technology
Number of Employees as of Preceding Year-end	Less than 100 employees



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Revenue as of Preceding Year-end	Less than 100 billion yen
Number of Subsidiary Companies as of Preceding Year-end	Less than 10 companies

### 4. Guidelines for Protection of Minority Shareholders in Transactions with Controlling Shareholders

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### 5. Other Special Circumstances Significantly Affecting Corporate Governance

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## II. Management Framework regarding Management-Related Decision-Making, Execution and Supervision, and Other Corporate Governance Matters

### 1. Organizational Composition and Operation

Organizational Form	Company with an Audit and Supervisory Board
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### Executive Directors

Maximum Number of Executive Directors Stipulated in Articles of Incorporation	No maximum number
Term of Office Stipulated in Articles of Incorporation	2 year
Chairperson of the Board	Representative Director
Number of Executive Directors	5
Appointment of Outside Directors	Appointed
Number of Outside Directors	2
Number of Independent Officers Designated from among Outside Directors	2

### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*1)										
		a	b	c	d	e	f	g	h	i	j	k
Ryota Matsuzaki	From another company								○			

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Taku Ito	Attorney																		
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\*1 Categories for "Relationship with the Company"

- a. Executive of the Company or its subsidiary
- b. Non-executive Director or executive of a parent company of the Company
- c. Executive of a fellow subsidiary of the Company
- d. Party whose major business partner is the Company or an executive thereof
- e. Major business partner of the Company or an executive thereof
- f. Consultant, accounting professional, or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Director
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- h. Executive of a business partner of the Company (which does not correspond to any of d., e., or f.) (the Director themselves only)
- i. Executive of a corporation to which outside officers are mutually appointed (the Director himself only)
- j. Executive of a corporation that receives donations from the Company (the Director himself only)
- k. Other

### Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Ryota Matsuzaki	○	Kibidango, Inc. Representative Director  Although Kibidango, Inc. is the one of the our customers, the amount of transaction is small.	Mr. Matsuzaki possesses broad global experience and knowledge of the financial industry and IT industry. The Company has appointed him as an Outside Director in the anticipation that he will give accurate advice on the management of the Company. Although his Company, Kibidango, Inc.

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			is the one of the our customers, he can not exercise any influence on the Company's management. Therefore, the Company has nominated him as an independent officer.
Taku Ito	○	—	Taku Ito possesses specialist knowledge and experience as an attorney with regard to corporate legal affairs. The Company has appointed him as an Outside Director in the anticipation that he will give accurate advice from legal perspective.

### Voluntary Committee

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	None
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### Audit and Supervisory Board

Establishment of Audit and Supervisory Board	Established
Maximum Number of Audit and Supervisory Board Members	No maximum number
Number of Audit and Supervisory Board Members	3

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### Cooperation among the Audit and Supervisory Board, Accounting Auditors, and Internal Auditor

Audit and Supervisory Board Members, Accounting Auditors and Internal Auditor have the regular discussions to promote the sharing of information about Audit Plan, Audit results and the specific discussion on how to improve operations.

Appointment of Outside Audit and Supervisory Board	Established
Number of Outside Audit and Supervisory Board Members	3
Number of Outside Audit and Supervisory Board Members Designated Independent Officers	3

### Outside Audit and Supervisory Board Members' Relationships with the Company (1)

Name	Attribute	Relationship with the Company (*1)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Tomomi Watanabe	From another company													
Yoshikazu Nakamura	CPA													
Hiroyuki Tanaka	Attorney /CPA													

\*1 Categories for "Relationship with the Company"

- a. Executor of operations
- b. Non-executive Director or accounting advisor of the Company or its subsidiary
- c. Non-executive Director or executive of a parent company of the Company
- d. Auditor of a parent company of the Company
- e. Executive of a fellow subsidiary of the Company
- f. Party whose major business partner is the Company or an executive thereof
- g. Major business partner of the Company or an executive thereof
- h. Consultant, accounting professional, or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Director
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a

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corporation)

j. Executive of a business partner of the Company (which does not correspond to any of f., g., or h.) (the Audit and Supervisory Board member themselves only)

k. Executive of a corporation to which outside officers are mutually appointed (the Audit and Supervisory Board member themselves only)

l. Executive of a corporation that receives donations from the Company (the Audit and Supervisory Board member themselves only)

m. Other

### Outside Audit and Supervisory Board Members' Relationships with the Company (2)

Name	Designation as Independent Director	Supplementary Information on Applicable Items	Reasons for Appointment
Tomomi Watanabe	○	—	Ms. Watanabe has experience as USCPA in Audit firm. The Company has appointed her as an Audit and Supervisory Board Member in the anticipation that she will conduct appropriate audit with her expertise and experience.
Yoshikazu Nakamura	○	—	Mr. Nakamura possesses specialist knowledge and experience as CPA and Tax accountant. In addition, he has experience as a CFO of a listed company. The Company has appointed him as an Audit and Supervisory Board Member in the anticipation that he will offer proper advice and suggestions from broad knowledge on the above. The Company received advice on taxation from him in the past, but there is no

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			business relationship at present. Therefore, as there is no risk of conflict of interest with general shareholders, the Company has appointed him as an independent officer.
Hiroyuki Tanaka	○	—	Mr. Tanaka possesses specialist knowledge and experience as attorney and CPA. The Company has appointed him as an Audit and Supervisory Board Member in the anticipation that he will conduct appropriate auditing from both legal and accounting perspective.

### Independent Officers

Number of Independent Officers	5
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### Other Matters Relating to Independent Officers

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### Incentives

Incentive Policies Implemented for Executive Directors	Implemented a stock option and others
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### Supplementary Explanation

With the aim of linking medium- to long-term growth and the enhancement of corporate value the Company implemented the stock option and the restricted stock compensation plan in order to share values with our shareholders and sustainably enhance our corporate value.

Recipients of Stock Options	Inside Directors, Outside Directors, Audit and Supervisory Board Members, Employee
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### Supplementary Explanation

With the aim of linking medium- to long-term growth and the enhancement of corporate

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value the Company grants the stock option to Directors, Audit and Supervisory Board Members and employee in order to share values with our shareholders and sustainably enhance our corporate value.

### Remuneration for Executive Directors

Disclosure of Individual Directors' Remuneration	The individual Director's remuneration is not disclosed.
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#### Supplementary Explanation

Since no Director is paid in excess of a total of ¥100 million in remuneration, individual remuneration amounts are not shown.

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

The amount of individual fixed remuneration for Directors is delegated to Representative Director within the limit of the total remuneration amount resolved at the General Meeting of Shareholders which was held on October 10, 2014 after discussion by the Board of Directors, taking into consideration the duties to be assigned, the performance of each fiscal year, the degree of contribution, the trends of other companies in the same industry, and other factors.

### Supporting System for Outside Directors (and Outside Audit and Supervisory Board Members)

The Management department supports the Outside Directors and Audit and Supervisory Board Members. The employees of the department are engaged in timely reporting and provision of information for the Board of Directors in order to give them time to fully consider the agenda of it.

## 2. Matters Regarding Management of Corporate Affairs, Audits/Supervision, Nominations, and Remuneration Decisions (Outline of the Current Corporate Governance System)

The Company has the Board of Directors and the Audit and Supervisory Board. The Board of Directors consists of 5 Directors (including 2 Outside Directors) and holds the monthly regular meeting and the extraordinary meeting of the Board of Directors as

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necessary. In compliance with Articles of Incorporation, the Board of Directors makes decision on important management matters and supervises the operation of Directors.

The Audit and Supervisory Board consists of a full-time corporate Auditor and 2 corporate Auditors and holds the monthly regular meeting and the extraordinary meeting of the Audit and Supervisory Board as necessary, where audit plans are developed, the audit implementation status is reported, and their opinions are exchanged.

The Audit and Supervisory Board Members supervise the operation of Directors through attending the Board of Directors and the other important meetings, accessing to important documents and interviewing the Executive Directors. In addition, the Corporate Auditors are striving to improve the effectiveness and efficiency of our audits through close collaboration, having the meeting the Internal Audit Manager and the Financial Auditors at regular intervals

The Company does not have an independent internal audit department due to the relatively small size of the Company. The manager of Corporate Planning Office is in charge of the internal audit of the Company, where audit plans are developed, the audit implementation status is reported to the Representative Director. The internal audit of the Corporate Planning Office is audited by the Administration Department Manager to avoid self-audit.

The Company has concluded an auditing contract with PricewaterhouseCoopers Kyoto which conducts independently. There is no relationship of special interest between the Company and this Auditor. In addition, in accordance with Article 427, paragraph (1) of the Companies Act, the Company has entered agreements with its Outside Directors and the Corporate Auditors to limit liability for damaged.

### **3. Rationale for Our Current Corporate Governance System**

From the perspective of further flexible business execution, the Company has set the number of Executive Directors at three. In addition, the Company appoints 2 Outside Directors and 3 Outside Corporate Auditors and believes that this corporate governance system will enhance the fairness and transparency of management.

## **III. Policies for Shareholders and Other Stakeholders**

### **1. Initiatives to Facilitate the Annual Shareholder Meeting and Exercising of Voting Rights**

Supplementary Explanation



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Early Notification of Annual Shareholders Meeting	The Company endeavors to promptly send the Convocation Notice of the General Meeting of Shareholders.
Scheduling Annual Shareholder Meeting to Avoid Peak Time	The Company will avoid scheduling the General Meeting of Shareholders on peak days so that as many shareholders as possible can attend and secure a convenient location (Hotel, the rental conference room, etc.).
Exercising Voting Rights Electronically	The Company has made it possible to exercise voting rights via the internet.
Electronic Voting Platforms and Other Initiatives to Facilitate the Exercising of Voting Rights by Institutional Investors	The Company has implemented an Electronic Voting Platform for shareholders to exercise their voting rights since the 16th Annual General Meeting of Shareholders.
Provision of Notifications (Summarized) in English	The Company posts the summarized English version of the Convocation Notice on the Company's website for the 16th Annual General Meeting of Shareholders.

### 2. Current IR Activities

	Supplementary Explanation	Explanation from the Representative Themselves
Creation and Publication of Disclosure Policies	The Company posts our basic policy on IR activities and information disclosure methods on our website. <a href="https://ir.userlocal.jp/">https://ir.userlocal.jp/</a>	No
Regular Information Sessions for Individual Investors	Representative Director and Directors provide explanation about recent business results and medium- to long-term management strategies in the Annual General Meeting of Shareholders. In	Yes

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	addition, the Company holds financial results briefings for individual investors once a year.	
Regular Information Sessions for Analysts and Institutional Investors	The Company holds financial results briefings for analysts and institutional investors twice a year. In addition, the Company sets up the individual interviews to provide explanations on recent business results and medium- to long-term management strategies.	Yes
Publishing Documents on our IR Website	The Company establishes the IR site on its website and posts information such as financial reports, timely disclosure materials, and IR News.	
Establishment of Department in charge of IR	The CFO is responsible for information disclosure and is assisted by the Corporate Planning Office.	

### 3. Initiatives Regarding Our Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules for Respecting the Position of Stakeholders	The Company established “User Local Action Guidelines” with the aim to respect our stakeholders and fulfill our social responsibilities as a company. We have established a basic stance that all officers and employees of the Company must comply with.
Implementation of Environmental Conservation Initiatives and CSR initiatives	Under the mission of “Driving global evolution by combining big data and AI”, the Company strives to resolve various issues facing society through business activities that utilize advanced technologies and our unique know-how. Specific details of our efforts are reported on our website. <a href="https://ir.userlocal.jp/sustainability/">https://ir.userlocal.jp/sustainability/</a>
Development of Policies on Information Provision to Stakeholders	The Company considers that timely and appropriately information disclosure to our stakeholders is important in their decision making. We will proactively disclose information through our website and financial briefing.
Others	<ul style="list-style-type: none"> <li>• Developing a diverse workforce</li> </ul> <p>The Company believes that employees are the most important</p>

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asset and the foundation for the growth of the Company. The Company is working on initiatives aimed at formulating human resources strategies and developing the environment in which each employee with diverse values and expertise can demonstrate their abilities to the fullest. The Company has also created the workplace where employees can be active regardless of ages or gender with promoting younger employees and female employees in management positions.

- Creating a comfortable work environment

We are actively working to create a comfortable working environment that takes work-life balance into consideration by introducing the diversity and freedom of work styles.

(Measures)

- Implementation of telework
- Rent subsidies for employees who live in the company's neighborhood
- 100% return to work after parental leave (up to the present)

### IV. Regarding Our Internal Control System

#### 1. Our Internal Control System - Basic Stance and Status

The Company has established the "Basic Policy on Internal Control System" to ensure the appropriate operations and strives to strict operation of internal control system based on the basic policy. The outline is as follows.

1. A system to ensure that Executive Directors and employees comply with laws, regulations, and articles of incorporation in performing their duties
  - (1) The Company has established the "Compliance Policy" and ensures that Executive Directors and employees have a sufficient awareness of compliance and abide by laws, ordinances, articles of incorporation, and internal regulations through Risk Management Committee meeting held periodically.
  - (2) The Company has provided an internal reporting system for consultation and internal compliance reporting with an outside legal counsel as a contact point for reporting in order to prevent violations of laws, regulations and the Articles of Incorporation, and to detect such violations at an early stage.

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- (3) Internal Auditors have audited the operations and property management in accordance with the "Internal Audit Regulations" and reported to Representative Director that Executive Directors and Employees comply with Laws, Regulations, and Articles of Incorporation.
- (4) The Company has established the "Rules on measures against antisocial forces" and the manuals and spread it to the company.
  2. A system for storage and management of information related to execution of duties by Executive Directors
    - (1) Executive Directors record, store and manage documents made in an electronic format based on the "Rules on Document Management". Executive Directors and Auditor may access these documents and records at any time.
    - (2) The Company has classified these documents and records according to level of confidentiality and established the appropriate access restriction and backup system based on the "Information System Operation Rules" and "Network Security Rules".
  3. Rules and other systems for managing risk of loss
    - (1) The Company has established the "Risk Management Rules" in order to manage the corporate risk and a sufficient awareness of compliance to Directors and employee and held Risk Management Committee Meeting chaired by the Director of Administration.
    - (2) Risk Management Committee Meeting has been held periodically to understand the risk, discuss at the meeting, and it is notified internally as necessary.
    - (3) In the event of any kind of risk arising that may cause a major loss to the Company, the Company will establish an emergency response system with the Representative Director in overall charge, and strive for early recovery.
  4. A system to ensure that the duties of the Directors are being carried out efficiently
    - (1) The Company holds the Board of Directors once a month in order to audit the status business execution, make resolutions on legal matters, and make decisions on important management matters. In addition, the Company convenes the extraordinary meetings as needed.
    - (2) The Company has established a suitable and efficient decision-making system based on the "Rules on Authority" and the "Rules of Division of Duties".
    - (3) The Board of Directors formulates the medium-term management plan and annual budget and make decisions efficiently.

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5. Matters related to employees who are requested by Auditors to assist with their duties, matters related to the independence from Directors of employees assisting with the duties of Auditors, and matters related to ensuring the effectiveness of instructions given to employees assisting with the duties of Auditors
  - (1) The Auditor can request that the employees to assist with their audit (hereafter referred to as employees assisting the Auditor).
  - (2) Employees assisting the Auditor shall exclusively work under the Auditor and shall not concurrently perform duties for other divisions and the other Directors.
  - (3) Reassignment, performance evaluation, and disciplinary action related to employees assisting the Auditor require the prior consent of the Auditor.
6. A system for submitting reports to the Auditor, which includes the system for Directors and employees to report to the Auditor
  - (1) Executive Directors and employees will, in addition to matters required by law, also report the following matters to Auditors without delay: matters that could have a significant impact on the Company and matters that could have violate laws and the Article of Incorporation.
  - (2) The Representative Director, the other Directors and the Auditors shall meet, regardless of whether it is regular or irregular, to exchange of opinions and communicate effectively.
  - (3) The Auditor will periodically attend the Board of Directors and the other important meetings to understand the key decision-making process and the business execution and access the important documents such as minutes of the Board of Directors and approval documents.
  - (4) Executive Directors and employees will, in addition to matters required by law, also report the status of the whistleblowing system and internal auditing system to Auditors without delay.
  - (5) The Auditor will periodically contact with the legal advisor who is the contact person of the Whistle-Blower System.
  - (6) The Company shall not treat any Directors or employee unfavorably on the basis of said Directors or employee who give a report to the Audit.
7. Matters related to the policy surrounding liability for expenses incurred by the Auditor in performing their duties
  - (1) The Company will include in the budget the costs incurred in the process of executing

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of duties of the Auditor and process expenses claimed by the Auditor through regular auditing practices.

- (2) For costs that exceed the budget, the Auditor will apply for costs to the Administration department in advance and the Company process the expenses.
- (3) Payments of costs incurred in the process of executing the duties of the Auditor shall be made either in advance or later.

### 8. Other systems for ensuring the effectiveness of audits by the Auditor

- (1) The Directors shall build the environment where the Auditor to attend the important meetings and meet the Internal Auditors, the Accounting Auditors and any other professionals.
- (2) The Auditor shall meet regularly the Accounting Auditors, cooperate with the Internal Auditors, and exchange information at all times and conduct auditing effectively.

### 9. Internal control system for financial reporting

- (1) The Company develops and appropriately operates internal control systems for financial reporting and establish the system for timely and appropriate evaluating through the monitoring system.

## 2. Exclusion of Anti-Social Forces - Basic Policy and Implementation Status

The Company establishes the “Basic Policy on the Exclusion of Anti-Social Forces” and declares that the Company does not provided money or other economic benefit to Anti-Social Forces in any case. The Administrative department exercises control over antisocial forces and establishes the internal rules and the preparedness for the procedures for gathering preliminary information. If the Company will be demanded unreasonably by antisocial forces, the Company will cooperate with the legal advisors and the other professionals.

The Company confirmed that Stockholders, Directors, Auditors, Employee, and business partners have no relationship with antisocial forces by using the research of internet, TEIKOKU Data Bank, and Nikkei Telecom. Also, the Company carries out checks on all existing partners to ascertain whether or not they have relationship with antisocial forces every year, in addition to the new business partner and the top 20 stockholders at the end of the period.

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### V. Other

#### 1. Anti-takeover Measures

Anti-takeover Measures	No measures in place
Supplementary Explanation	
-	

#### 2. Other Matters Concerning Corporate Governance System, etc.

The Company is striving to maintain and strengthen corporate governance by working on the followings as a priority.

- Enhancing management supervision by the Board of Directors and Audit and Supervisory Board
- Improving an internal control system
- Timely and appropriately information disclosure

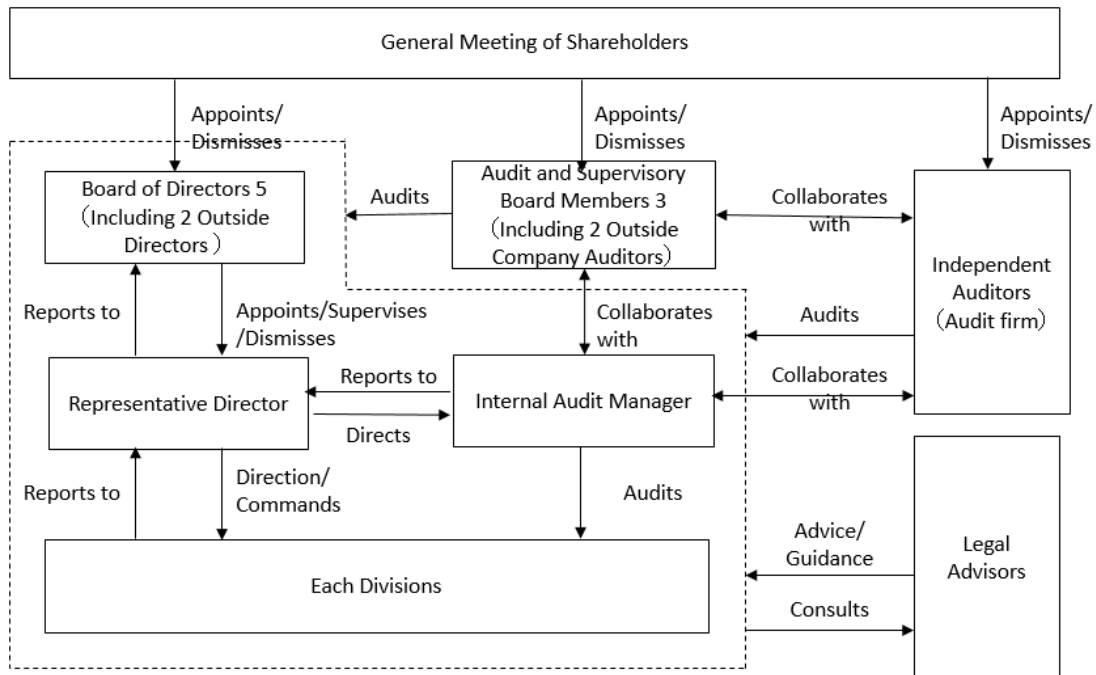
The Company holds the regular meeting of the Board of Directors once a month, where the Directors and the Outside Directors attend and proactively express their opinions so that the fair decision-making process has established. In addition, the Internal Audit are conducted in cooperation with full-time corporate Auditors to ensure that appropriate checks and balances are in place in the daily flow of operations. The Company receives guidance from time to time on accounting issues and the internal control systems by the Accounting Auditors and strives to implement appropriate accounting processes.

The Company's structure of corporate governance is as follows.

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### Structure





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### Timely Disclosure System

The Company established Timely Disclosure Manual, which has documented the following disclosure methods for each type of disclosed information.

