

Company Name: MIRAIT Holdings Corporation
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Stock Exchange Listing: TSE 1st Section
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[Summary]Corporate Governance Report

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

I. Basic Approach to Corporate Governance

1. Basic Approach

The Company recognizes the importance of management as a company with social responsibilities, implements organizational structures and mechanisms for ensuring transparency and fairness in decision making, and positions the creation of relationships of trust with all stakeholders including shareholders to be one of the most important issues in management. For this reason, we aim to enhance corporate value and achieve sustained growth through the implementation and constant improvement of the following Corporate Governance Code.

[Reason for not Implementing the Principles of the Corporate Governance Code]

◆ Disclosure of the results of analysis and evaluation of the effectiveness of the Board of Directors as a whole (Supplementary Principle 4-11-3)

The Company endeavors to conduct sound and efficient management by checking the execution of duties of directors in meetings of the Board of Directors, such as compliance with laws and regulations, risk management, sharing of information, and the speed of resolution of issues.

We will continue to consider disclosure of the results of analysis and evaluation of the effectiveness of the Board of Directors as a whole.

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

◆ Company objectives, business strategies and business plans (Principle 3-1-1)

The Company has established its management philosophy as follows, and aims to be a leading Japanese corporation as a "Comprehensive Engineering & Services Company."

[Management philosophy]

1. Strive to be a leading Japanese corporation that realizes the highest levels of customer satisfaction and trust as a "Comprehensive Engineering & Services Company" that continually creates new value centered on the field of information and telecommunications.
2. Contribute to the realization of an enriched and comfortable society by placing value on safety and quality and offering the highest level of services.
3. Continue to be an enterprise that coexists and mutually prospers with people and society as a company that fulfils its corporate social responsibility and always respects human beings.

[Management plan]

By aiming to expand businesses driving future growth and continually and efficiently promoting existing businesses, the Company is aiming for the enhancement of corporate value and sustained growth, targeting sales of 280 billion yen, operating income of 10 billion yen, and an operating margin of 3.6%.

[Business operation policy under the FY2016 business plan]

1. Strengthening of business operation

- Active development of new business areas and expansion of sales
- Improvement of profitability through the promotion of thorough and efficient management of work
- Becoming more competitive through selection and concentration

2. Strengthening of management foundation

- Strengthening of earning capacity of the entire group (improvement of income subject to the scope of consolidation)
- Expansion collaboration within the group in new businesses (strengthening of sales force, mobility, and comprehensive engineering capability)
- Strengthening of human resource development (personnel with electrical, civil engineering and information qualifications, in addition to multi-talented engineers)

3. Transformation of corporate culture

- Continued promotion of KAIZEN activities to improve abilities in the workplace and re-establish “safety” and “quality”
- Fostering a thick-boned structure and the will to face challenges to overcome changes in the business environment
- Improvement of teamwork through the promotion of communication and sharing information within the Group
- Promotion of focusing on environmental efforts, and establishment of the MIRAIT Brand

◆Basic views and guidelines on corporate governance (Principle 3-1-2)

The Company recognizes that the realization of effective corporate governance is essential for the creation of relationships of trust with stakeholders. To this end, the Company will increase the effectiveness of corporate governance by:

1. Ensuring the rights and equality, etc. of shareholders;
2. Appropriately collaborating with stakeholders other than shareholders;
3. Ensuring appropriate disclosure and transparency;
4. Performance of responsibilities of the Board of Directors, etc.; and
5. Dialogue with shareholders.

Furthermore, the Charter of Corporate Ethics has been established as the basic policy of corporate ethics and a specific code of conduct, and is published on the Company's website (<http://www.mirait.co.jp/en>)

◆Board policies and procedures in determining the remuneration of the senior management and directors (Principle 3-1-3)

The total amount (maximum amount) of remuneration of directors is resolved by the General Shareholders' Meeting after being approved by the Board of Directors. Furthermore, the remuneration of individual directors utilizes a method based on the roles and responsibilities of each position.

Furthermore, in accordance with the resolution of the 6th Ordinary General Meeting of Shareholders held on June 28, 2016, the Company has introduced a “Board Benefit Trust” performance-linked stock-based remuneration system for directors and executive officers (excluding outside directors and non-executive directors; “Group’s officers”) of the Company and its subsidiaries MIRAIT Corporation and MIRAIT Technologies Corporation (“the Group”), in which the Group’s officers receive benefits when they retire in accordance with the Officer Stock Benefit Rules stipulated by the Boards of Directors of Group companies.

◆Policies and procedures in the appointment of directors and corporate auditors (*kansayaku*), and explanations of nominations (Principles 3-1-4 and 3-1-5)

In the nomination of director and corporate auditor candidates, candidates are selected from an extensive pool inside and outside the Company, and the Board of Directors decides upon candidate with excellent personalities and knowledge in addition to a high level of management skills.

In particular, independent outside directors are nominated based on their ability to fulfill their roles and responsibilities from an expert and objective perspective, such as having abundant experience and knowledge in their respective fields, and providing advice and supervision from the perspective of medium- to long-term enhancement of corporate value. Moreover, independent outside corporate auditors (*kansayaku*) are nominated based on their ability to increase transparency of the Board of Directors and enhance corporate value by appropriately monitoring the state of compliance with laws, regulations and the Articles of Incorporation regarding management decisions and execution of operations by directors with abundant experience and knowledge in their respective fields.

The reasons for the election of the individual directors and corporate auditors (*kansayaku*) are described below in the “Notice of the General Meeting of Shareholders.”

◆Overview of scope of the matters delegated to the management (Supplementary Principle 4-1-1)

The Company has established a Board of Directors as an organ for making decisions and supervising management, and a management meeting as a system for executing business.

The Board of Directors makes decisions on group management policies and other important matters, in addition to matters specified by laws, regulations and the articles of incorporation, while also overseeing the execution of duties of directors by receiving periodic reports from directors on the status of the execution of their duties.

The Executive Committee is chaired by the president, and made up full-time directors and others nominated by the president. In addition to playing a role as an organ for deliberating important matters concerning the management strategies and execution of business of the Company and group, it summarizes and discusses topics in advance to ensure active discussion in meetings of the Board of Directors. Corporate auditors (*kansayaku*) also attend as observers to swiftly detecting and addressing issues and problems. Executive officers are responsible for the execution of business in the divisions they oversee.

◆Effective Use of Independent Directors (Principle 4-8)

The Company has elected several independent outside directors since it was established in 2010 with the expectation that they will provide advice on promotion of sustained growth of the Company and enhance corporate value in the medium- to long-term, in addition to presenting opinions based on comments from stakeholders such as shareholders in meetings of the Board of Directors. At present, the Company has two independent outside directors, and an effort is made to provide sufficient information such as providing explanations in advance depending on the matter. The independent outside directors have a good rate of attendance to meetings of the Board of Directors, and they make active comments on management policies and management improvements in addition to supervising management based on their respective knowledge, adequately fulfilling the roles expected of them by the Company.

Furthermore, from FY2016, we will make an effort to more actively exchange information and share awareness with independent outside directors in settings other than board meetings by regularly holding meetings between independent outside directors and representative directors.

◆Independence standards and qualifications of independent directors (Principle 4-9)

See “1. Matters Pertaining to Organization Composition and Organization Management, etc. [Independent Directors]” in “II. Status of Corporate Management Organizations and Other Corporate Governance Systems Related to Management Decisions, Execution and Supervision” for information on independence standards in the Company.

◆View on the balance between knowledge, experience and skills of the Board of Directors as a whole, and also on diversity and appropriate board size (Supplementary Principle 4-11-1)

The Company gives consideration to a balance of personnel in the composition of the Board of Directors, and elects directors with abundant experience and excellent knowledge in their respective fields of management strategy, finance and human resources as a holding company overseeing a variety of areas of business.

Furthermore, independent outside directors participate in the Board of Directors with outside perspectives of people with years of practical experience in corporate management, experts in business law and finance, and academic experts, ensuring transparency and leading to the enhancement of corporate value.

We have made the board of directors an effective and efficient framework by enabling sufficient functionality for a holding company and having certain officers concurrently serve on the boards of major subsidiaries.

◆State of concurrent positions of outside directors and outside corporate auditors (*kansayaku*) (Supplementary Principle 4-11-2)

The positions concurrently held by the Company's outside officers in listed companies are as follows.

- Outside corporate auditor Hiroshi Daikuya concurrently serves as the outside corporate director of Daiken Medical Co., Ltd., which is listed on the first section of the Tokyo Stock Exchange.

◆Training Policy for Directors and Corporate auditors (*kansayaku*) (Supplementary Principle 4-14-2)

The Company periodically conducts officer training for directors and corporate auditors (*kansayaku*) to provide a deeper understanding of their roles and legal responsibilities, etc. The training spans basic topics such as corporate governance, insider trading and the Construction Industry Act, in addition to case studies on corporate scandals and incidents.

◆Policy for constructive dialogue with shareholders (Principle 5-1)

1. Director responsible for overseeing dialogue with shareholders

The Company positions dialogue with shareholders and investors ("IR activities") as a means to ensure appropriate corporate valuation and trust, and contribute to sustained growth and medium- to long-term enhancement of corporate value, and continually implements such IR activities.

IR activities are supervised by the Director and General Manager of the Finance and Accounting Department. The Investor Relations Office, which is the responsible department, endeavors to provide timely and appropriate disclosure of information in accordance with the "Disclosure Policy" published elsewhere. Furthermore, the Director responsible conducts individual meetings with shareholders and investors wherever possible.

Moreover, in principle, the CEO directly provides explanations at the earnings briefings held twice each year and the overseas IR meetings held several times each year.

2. Cooperation between internal departments

The Company has created a "timely disclosure system" and is making an effort to provide timely and appropriate disclosure of important information through cooperation between departments to ensure IR activities are constructive and meaningful. In addition, the Public Relations Office also cooperates to actively disclose a wide range of information by utilizing the Company's website in addition to TDnet and EDINET. Meetings between the CEO, the Finance and Accounting Department, the Strategy Department and personnel responsible for each business are conducted on numerous occasions to review the materials used in IR activities such as earnings briefings, in an effort to provide materials that are easy to understand and useful for shareholders and investors.

3. Increasing opportunities for dialogue aside from individual meetings

The Company holds two earnings briefings each year (for the 2nd and 4th quarters) for analysts and institutional investors. Videos of the earnings briefings are provided on the website, etc. We endeavor to provide important information to overseas institutional investors in English in a timely manner.

We also send the "MIRAIT Report" summarizing the Company's performance and topics to all of our shareholders twice each year.

Materials disclosed by the Company are published on the Company's website (<http://www.mirait.co.jp/en>).

In addition, when necessary, we participate in briefings for individual investors hosted by securities companies, etc. to explain the Company's business performance, etc.

4. Feedback of shareholders' views and concerns

The Company periodically reports to directors, senior management and other relevant personnel in the Group on comments and concerns received from shareholders and investors using IR reports prepared by the Investor Relations Office, and also implements appropriate feedback as required on the results of overseas investor relations.

5. Measures to control insider information when engaging in dialogue

The Company has established "Rules on the Regulation of Insider Trading" and conducts appropriate management of information in accordance with these rules if insider information is possessed when meeting with shareholders and investors to prevent such information from being communicated. In addition, there is a two-week quiet period before the announcement of earnings (including quarterly earnings) to prevent information on earnings being leaked, and no comments on earnings or responses to inquiries are provided during this period. However, if it is found that a difference compared with the performance forecast arising during the quiet period is a fluctuation subject to timely disclosure rules, the information is disclosed appropriately.

◆ Strategic shareholdings (Principle 1-4)

The Company has determined a policy on cross-shareholdings and the standard for voting. Furthermore, the aim and rationale of major holdings of shares is periodically reported to the Board of Directors.

[Policy on Strategic shareholdings]

The Group holds shares in other companies:

1. to maintain and strengthen business relationships with the company;
2. where required for strengthening a cooperative relationship to promote alliance operations; and
3. where an investment is made to resolve common issues.

[Policy on voting]

The Group makes comprehensive decisions on voting for or against each proposal based on criteria such as:

1. Not harming increases in medium- to long-term shareholder value;
2. Not harming business relationships or business alliances with the company; and
3. Not harming the development of the Group.

◆ Related party transactions (Principle 1-7)

The Company requires that competing transactions and transactions in conflict of interest by directors are deliberated and resolved by the Board of Directors, and reports on the status of transactions are periodically made to the Board of Directors. Board members are required to submit a "Confirmation of Related Parties" to ascertain whether there are any transactions with related parties such as the board members themselves, their close relatives, organizations they represent and organizations in which they hold a majority of voting rights. Furthermore, when a transaction is being made with a related party, the suitability, etc. of the individual transaction is confirmed. The Board of Directors receives reports on transactions with major shareholders periodically and as required, and provides supervision to ensure the common interests of shareholders are not harmed.

II. Status of Corporate Management Organizations and Other Corporate Governance Systems Related to Management Decisions, Execution and Supervision

1. Matters Pertaining to Organization Composition and Organization Management, etc.

[Directors]

Name	Independent Officer	Supplementary Explanation of Compliant Items	Reason for Election
Masaharu Kimura	○	- Former President and Representative Director of ACCA Networks Co., Ltd (currently SoftBank Corp.) (Served until 2008)	<p>Masaharu Kimura has abundant experience in senior management of an IT companies such as IBM Japan, Ltd., and it was determined that he is suitable for independently executing supervision of management from an objective perspective due to the expectation of his knowledge and expertise and independence from management performing the execution of business, and that this will lead to enhancing transparency of the Board of Directors and strengthening of supervisory functions.</p> <p>Notification that he is an independent officer has been submitted because he does not infringe on the Company's independence standard or the independence standards specified by stock exchanges.</p>
Eiji Ebinuma	○	- Current partner of Tanabe & Partners - Assistant Manager of Human Resources Division Planning Team, Mizuho Bank, Ltd. (until 2003)	<p>Eiji Ebinuma has served in a key position at Mizuho Bank, Ltd. has experience and knowledge as an attorney at law, and is independent from management performing the execution of business, and it was determined that he is suitable for independently executing supervision of management from an objective perspective based on a legal viewpoint and that this will lead to enhancing transparency of the Board of Directors and strengthening of supervisory functions.</p> <p>Although he is a partner of Tanabe & Partners, with which the Company has transactions, the value of the transactions is minor, and he has been nominated as an independent officer because he does not infringe on the Company's independence standard or the independence standards specified by stock exchanges.</p>

[Corporate auditors (*kansayaku*)]

Name	Independent Officer	Supplementary Explanation of Compliant Items	Reason for Election
Masao Matsuo	○	- Former General Manager of Kagawa Branch, Nippon Telegraph and Telephone West Corporation (until 2002) - Former Senior Vice President and General Manager of Corporate Planning, NTT-Neomeit Corporation (until 2005) - Former Manager, Sales Department I, NTT Advertising, Inc. (until 2014)	Masao Matsuo has abundant management experience and knowledge, such as being involved in the management of NTT Advertising, Inc., and is expected to provide supervision of overall management and effective advice from an objective and independent perspective. Notification that he is an independent officer has been submitted because he does not infringe on the Company's independence standard or the independence standards specified by stock exchanges.
Hiroshi Daikuya	○	—	Hiroshi Daikuya is registered as a certified public accountant, and has abundant management experience and knowledge, such as serving as the representative director of @Stream Corporation, which is a management consulting firm, and is expected to provide supervision of overall management and effective advice from an objective and independent perspective. Notification that he is an independent officer has been submitted because he does not infringe on the Company's independence standard or the independence standards specified by stock exchanges.

[Independence standard]

The Company believes outside director and outside corporate auditors (*kansayaku*) (“outside officers”) must have sufficient independence to ensure the objectivity and transparency required for appropriate governance. The Company has established the following independence standard for outside officers of the Company, and deems that an outside officer (including candidates; the same applies below) does not have sufficient independence for the Company if any of the followings applies.

1. Formerly worked in the Company or a consolidated subsidiary of the Company (“the Group”) ^{*1}
2. A major shareholder of the Company ^{*2}
3. An executive of any of the following companies, etc.
 - (1) Major trading partner of the Group ^{*3}
 - (2) Major lender to the Group ^{*4}
 - (3) Company in which the Group holds 10% or more of shares on the basis of voting rights, etc.
4. A certified public accountant who belongs to the auditing firm that is the Group's accounting auditor
5. An expert such as a consultant, accountant, tax accountant, attorney at law, judicial scrivener or patent attorney who has received a large sum ^{*5} of money or other property from the Group.
6. A person who has received a large donation from the Group ^{*6}
7. An executive of a company that is in a relationship of mutually appointing outside officers ^{*7}
8. A person whose close relative ^{*8} is any of those listed in items 1 through 7 above (limited to important personnel ^{*9} except in the cases of items 4 and 5)
9. A person to who any of items 2 through 8 has applied in the past three years
10. Notwithstanding the provisions of the preceding items, a person for whom it is otherwise found there are special grounds for a conflict of interests with the Company

- *1: Meaning a current executive director, executive officer or other similar person or employee (“executive”) or an executive who has ever belonged to the Group.
- *2: A major shareholder refers to a shareholder who holds 10% or more of shares on the basis of voting rights in his/her own name or in the name of another person at the end of the current business year. If a major shareholder is an organization such as a corporation or an association, this refers to an executive of said organization.
- *3: A major trading partner refers to a customer or supplier of the Group for whom annual transactions account for more than 3% of the Company's consolidated net sales or the trading partner's consolidated net sales.
- *4: A major lender refers to a financial institution from which the Group is borrowing, and for which the outstanding loans payable thereto exceed 2% of the Company's consolidated total assets or the financial institution's consolidated total assets and the end of the current business year.
- *5: Large sum refers to the following amounts according to the expert's involvement in the services provided.
 - (1) If the expert provides services to the Group as an individual, a large sum is when the consideration received from the Group exceeds 10 million yen per year.
 - (2) If the organization to which the expert belongs provides services to the Group, a large sum is when the total amount of consideration received from the Group by the organization exceeds 2% of the organization's annual sales or total revenue. However, even if 2% is not exceeded, if the annual amount received by the organization as consideration for services provided in which the expert is directly involved exceeds 10 million yen, this amount shall be deemed to be a large sum.
- *6: This refers to a person who receives annual donations from the Group exceeding 10 million yen. If the part receiving donations is an organization such as corporation or an association, this refers to a person who belongs to the organization and is directly involved in the research, education or other activity related to the donations.
- *7: This refers to a relationship in which an executive of the Group is an outside officer of another company, and an executive of the other company is an outside officer of the Company.
- *8: Close relative refers to a spouse or a relative of the second degree or less.
- *9: Important personnel refers to directors and executive officers.

[Incentives]

In accordance with the resolution of the 6th Ordinary General Meeting of Shareholders held on June 28, 2016, the “Board Benefit Trust” performance-linked stock-based remuneration system for the Group’s officers was implemented from September 30, 2016 with the objective of clarifying the connection between the remuneration of the Group’s officers and the share price, and heightening awareness of contributions to the improvement of medium- to long-term results and corporate value.

The System is a performance-linked stock-based remuneration system in which shares of the Company are acquired using funds contributed by the Company, and provided to the Group’s officers in principle through a trust in accordance with the Officer Stock Benefit Rules stipulated by the Boards of Directors of Group companies. The timing of receipt of benefits by the Group’s officers shall be when retiring from the position of officer of the Group.

[Directors' Remuneration]

The total amount (maximum amount) of remuneration of directors is resolved by the General Shareholders' Meeting after being approved by the Board of Directors. Furthermore, the remuneration of individual directors utilizes a remuneration system based on the roles and responsibilities of each position. The total amount of directors' remuneration, etc. was resolved in the 1st Ordinary General Shareholders' Meeting held on June 28, 2011 to be capped at 300 million yen per year (including outside directors' remuneration capped at 30 million yen per year).

Furthermore, a “Board Benefit Trust” performance-linked stock-based remuneration system has been introduced for the Group’s officers, and the Group’s officers received benefits when they retire in accordance with the Officer Stock Benefit Rules stipulated by the Boards of Directors of Group companies.