

Last Update: July 9, 2021

Company Name: V Technology Co., Ltd.
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Securities Code: 7717
Stock Exchange Listing: TSE 1st Section
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【Corporate Governance Report】

The Status of the Company's corporate governance is as follows.

I Basic Approach to Corporate Governance

1. Basic Approach

We pursue the expansion of profits over the medium to long term through strategic initiatives and proactive management activities and contribute to society by creating innovation through our business. We aim to continue the enterprise and increase the corporate value, and we believe that it is essential to establish an organizational system by enhancing corporate governance and building good relationships by sharing cooperation, trust, and expectations with stakeholders such as shareholders, investors, customers, and our employees.

1. Establishment of a flat and flexible management organization system that enables prompt decision-making
2. Rapid and accurate information gathering ability, creative technology development ability, and aggressive boldness of cost competitiveness
3. Compliance with laws and regulations, articles of incorporation and company rules
4. Promote dialogue and timely, appropriate information disclosure

We strive to have more transparent company management, full of ambition, and a sense of speed.

【Reason for not implementing the Principles of the Corporate Governance Code】

◆ Supplementary Principle: 1-2-4

Regarding convocation notices, the convocation notices and reference documents in a narrow sense are translated into English and reported to the company's English website and the Tokyo Stock Exchange.

We are not currently implementing for the exercise of rights by introducing the Voting Rights Electronic Exercise Platform in terms of cost-effectiveness. In the future, we will strive to improve the environment by observing trends in the number of overseas investors.

【Disclosure Based on the Principles of the Corporate Governance Code】

◆ Principle 1-4: Cross-held Shares

Our company has a basic policy of not owning Cross-held Shares and, we do not own any of them.

◆ Principle 1-7: Related Party Transactions

In the case where the Company transacts with related parties, the relevant directors report in advance to the board of directors in writing, and the relevant directors are excluded from the quorum of the resolution as interested persons, we decide to resolve the pros and cons of trading. Besides, when a transaction is carried out, the relevant director regularly reports on the status of the transaction to the Board of Directors and audits the Board of Corporate Auditors as necessary.

◆ Principle 2-6: Asset Owner

We have introduced a defined contribution individual pension plan (401K), have employees know the necessary information, and hold briefings on the investment plan regularly.

◆ Principle 3-1: Enhancement of Information Disclosure

(i) We have the following management principles.

Contributing to society with fervor and great ambition, through our world-class innovative manufacturing solutions.

The management philosophy is also disclosed on our website.

<https://www.vtec.co.jp/en/corporate/philosophy.html>

We appropriately disclose Our Company's management plan (outlook for business performance) for the current fiscal year in the Summary of Financial Results.

We are also working to enhance information disclosure, such as disclosing information on financial results briefings for institutional investors and presentation materials at the general shareholders' meeting on our website immediately after the event.

(ii) The following is the basic policy regarding corporate governance.

We are committed to creating innovation, strategic initiatives for businesses contributing to society, and aggressive management activities. We pursue sustainable profit growth over the medium to long term and continue to grow and increase corporate value.

We will maintain and operate an appropriate management organization system and give management discipline.

We also believe that it is essential to enhance corporate governance by cooperating with stakeholders such as shareholders, investors, customers, and employees, sharing trust and expectations, and developing good relationships.

Based on this idea, We will strive for more transparent corporate management with full motivation and speed from these points.

1. Build a lean and flat management organization that enables swift decision making
2. Focusing on the fast-paced technological development trends centered on the FPD and semiconductor industries, to respond to the various demands of global customers centered on East Asia, we promote technological development in cooperation with our company also external partners. Established the world's best innovation technology and built with constant efforts, under the global supply chain centered on East Asia, always provide new products and services at competitive prices
3. Comply with laws and regulations and sustainably and sustainably grow in the medium term with society
4. Active dialogue with shareholders based on timely and appropriate information disclosure

The basic concept of corporate governance that We disclose is on our website (<http://www.vtec.co.jp/ir/about3.html>), corporate governance report, and securities report.

(iii) Regarding the policies and procedures for determining the compensation of executives and directors of our company, We will consider the balance with our profit, capital policy, and measures such as shareholder return.

If necessary, an appropriate voluntary committee consisting of one representative director and two outside directors will be appropriately established.

A voluntary committee discusses the compensation of directors and determines the total amount.

Considering its importance to the Company, the remuneration of management executives will be decided by the Board of Directors based on the Representative Director's initiative, if necessary.

(iv) We set the policies and procedures for the appointment and dismissal of executives of the Company and the appointment of candidates for Directors and Audit & Supervisory Board Members forth below.

We can perform appropriate audit and supervision while the business develops globally and achieves medium-term growth by appointing knowledge, experience, and ability and those with diverse perspectives.

Appropriately establish a voluntary committee consisting of one representative director and two outside directors. At that time, they will be assisted by external consultants as needed. Then, they will select nomination candidates from the listed candidates and decide for the Board of Directors.

Regarding candidates for internal directors whom the Board of Directors decide, At that time, they will attach great importance to whether the candidate has sufficient ability over management, such as leadership to vigorously promote our business, business environment surrounding our company, strengths, deep understanding of issues, among other things.

Appropriately establish a voluntary committee consisting of one representative director and two outside auditors. At that time, they will be assisted by external consultants as needed. Then, they will select nomination candidates from the listed candidates and decide for the Board of Directors with the consent of the audit and supervisory board.

For internal auditors, a voluntary committee nominate candidates based on a balance of knowledge, etc. based on business experience, understanding of accounting and finance, etc., of the Company and other companies, and the ability to ensure independence from business executives. The candidates will be decided by the Board of Directors with the consent of the Audit & Supervisory Board Members.

We recognize that the board of directors' current composition is such that it is possible to conduct substantive discussions compactly and that it is of an appropriate size that generally secures diversity.

Regarding the management executive's dismissal, when any of the following deem to be applicable, the Board of Directors will make a decision based on the initiative of the representative director, if necessary, in consideration of the importance of the management executive to the Company.

1. When an act that violates public order and morals
2. When it is difficult to continue working due to health reasons
3. When the corporate value is significantly damaged by neglecting the duties
4. When it becomes clear that the qualifications specified in the requirements referred to at the time of appointment are not recognized

(v) Regarding the appointment and dismissal of our company's management, In light of the importance of the management team to the company and the personal circumstances of the management team, we will explain to the appropriate extent, if necessary. The reasons for nominating candidates for Directors and Audit & Supervisory Board Members are disclosed in the notice of convocation of the General Meeting of Shareholders.

◆ **Supplementary Principle: 4-1-1**

The Board of Directors deliberates and makes decisions on important matters related to business management following the rules of the Board of Directors and Job authorization regulation, and receives reports on essential issues.

(Board of Directors Rules) Rules that define the roles and responsibilities that directors should fulfill and the matters to report to directors.

(Work authority rules) Rules define matters the board of directors discusses.

(Critical management matters) Business plans and strategies, among other things. The management team, such as executive officers assigned to the business headquarters, design these items.

◆ **Principle 4-9: Independence Judgment Criteria and Qualifications of Independent Outside Directors**

The Company sets standards for the independence of outside directors and outside corporate auditors with reference to the Companies Act and the standards established by the Tokyo Stock Exchange.

Independent outside directors are selected based on the above criteria from candidates for independent outside directors who have been selected and deliberated at the Board of Directors.

Outside Audit & Supervisory Board Members will be selected after the candidates are chosen for deliberation at the Board of Directors and with the Audit & Supervisory Board's consent..

◆ **Supplementary Principle: 4-11-1**

The Board of Directors deliberates on the adequacy of business plans and strategies, the risks involved in their realization, and the like in an objective and multi-faceted manner, to appropriately supervise and audit the execution status of those business plans and strategies. Opinions are exchanged and scrutinized from a viewpoint.

Therefore, the directors and corporate auditors who are attendants must have diverse experience, knowledge, expertise and insight.

For the board of directors to function in this way, we ensure a balance and diversity of knowledge, experience, and capabilities in a board of directors.

The board of directors will be the size necessary and appropriate for simplifying the Board of Directors, efficient deliberation, supervision of execution, and swift decision making.

To maintain an appropriate scale in the phase of rapid business growth, the Board of Directors delegate authority to executive officers and other management teams appropriately assigned to each business division.

Based on the following three points, a voluntary committee will nominate internal director candidates.

1. Leadership to strongly promote our business.
2. Business environment surrounding the Company
3. Comprehensive management capabilities based on a deep understanding of our strengths and issues

A voluntary committee will nominate outside director candidates in consideration of the following points.

1. Diverse experiences that cannot be gained only by in-house directors
2. Management experience of a company that provides products and services in fields different from ours, experience as a consultant
3. Academic experience with specialized knowledge and high level of insight
4. Independence

Regarding skill requirements for directors

We have a skill matrix as a reference criterion from the perspectives of experience/skills and competency.

However, the selection of candidates for directors does not involve scoring the matrix items.

A voluntary committee should nominate internal and external persons as candidates for directors based on their character.

And they should nominate the internal and external persons are capable of objective and multi-faceted deliberation as candidates for directors, considering the balance of skills with other directors.

About full-time auditors

A voluntary committee nominates candidates based on their experience and expertise in the fields of accounting and finance, their understanding and knowledge of the overall business, and their independence from business executives.

A voluntary committee nominates candidates with a focus on their high level of expertise and insight in accounting, finance, and the law required for auditing, their extensive experience, high professional ethics, and independence.

As the business expands globally and achieves medium-term growth, we believe that appropriate auditing and supervision can be carried out by appointed not only knowledge, experience, and ability but also those with diverse perspectives based on the requirements listed above.

Appropriately establish a voluntary committee consisting of one representative director and two outside directors.

At that time, they will be assisted by external consultants as needed. Then, they will select nomination candidates from the listed candidates and decide for the Board of Directors.

For internal directors, candidates for internal directors are decided by the Board of Directors.

At that time, they will attach great importance whether the candidate has sufficient capability over management, such as leadership to vigorously promote our business, business environment surrounding our company, company's strengths, deep understanding of issues, among other things.

Appropriately establish a voluntary committee consisting of one representative director and two outside auditors.

At that time, they will be assisted by external consultants as needed. Then, they will select nomination candidates from the listed candidates and decide for the Board of Directors with the consent of the audit and supervisory board.

For internal auditors, a voluntary committee nominates candidates based on a balance of knowledge, among other things based on business experience, understanding of accounting and finance of the Company and other companies, and the ability to ensure independence from business executives.

And the Board of Directors will decide the candidates with the consent of the Audit & Supervisory Board Members.

We recognize that the current composition of the Board of Directors is such that it is possible to conduct substantive discussions compactly and that it is of an appropriate size that generally secures diversity.

◆ **Supplementary Principle: 4-11-2**

If a director or corporate auditor of the Company wishes to serve as an officer of another listed company concurrently, the relevant director or corporate auditor will explain the role of the listed Company and his business contents at the board of directors meeting.

The Board of Directors will confirm and deliberate whether or not it is possible to adequately fulfill the role and responsibility of the Company as a director or corporate auditor.

When resolving the Board of Directors, applicable directors, applicable corporate auditors are excluded from the quorum of resolutions.

Besides, the status of concurrent posts will be disclosed annually in the notice of the convocation of the general meeting of shareholders and the securities report.

◆ **Supplementary Principle: 4-11-3**

The Board of Directors of the Company has made it clear that its primary role is to decide essential management matters and policies and to supervise business execution.

In recent years, the business environment surrounding our company has undergone significant changes, and we recognize that our strategy is at the beginning of a significant turning point. Besides, as the board of directors, we have vigorously deliberated on the transformation of our essential strategies.

Based on these points, we report the outline of the effectiveness of the Board of Directors as follows.

1. Development of a business portfolio

We appreciate the fact that we are expanding the business portfolio and expanding our internal system in response to changes in the business environment.

2. Shift to headquarters (reduction of internal directors)

Based on the concept of separation of execution and supervision, we promoted the transition to a headquarters system and evaluated the role of the Board of Directors for further clarification.

3. Regarding the expected revision of the personnel incentive system in the future.

It is expected that the personnel incentive system will be reviewed to reflect the medium- to long-term business performance and potential risks and to provide incentives that contribute to the sound entrepreneurship.

◆ **Supplementary Principle: 4-14-2**

The Company proactively supports the acquisition of knowledge (such as participation in seminars and study sessions) and training that the directors and corporate auditors consider necessary to fulfill their responsibilities.

Besides, as a general rule, we have established rules to participate in external seminars and study sessions at least once a year, and the Company will bear the costs in that case.

◆ **Principle: 5-1 Policy on Constructive Dialogue with Shareholders**

To improve corporate value, we believe that it is essential to deepen the understanding of both ways of thinking and positions through dialogue with shareholders and other stakeholders and to search for appropriate responses based on that understanding.

We believe that [Principle 3-1: Enhancing information disclosure] is a major premise, and that [Principle 5-1: Constructive dialogue with shareholders] is part of that.

The Company has placed a system for promoting active dialogue with shareholders and provides opportunities for conversations with shareholders such as institutional investors.

The policy for the timely disclosure system and initiatives is a prerequisite for conversations with the relevant shareholders and occupies a prominent position. The Company discloses this policy in V-2 of the “Corporate Governance Report” submitted to the Tokyo Stock Exchange.

2. Capital Structure

The Ratio of the Number of Shares Held by Foreigners	10% or more and less than 20%
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[Major Shareholders]

Name	Number of shares held	Ratio (%)
Shigeto Sugimoto	1,174,600	12.14
The Master Trust Bank of Japan, Ltd. (Trust Account)	449,100	4.64
STATE STREET BANK AND TRUST COMPANY 505253	225,600	2.33
Japan Trustee Services Bank, Ltd. (Trust Account No.5)	190,400	1.96
Japan Trustee Services Bank, Ltd. (Trust Account)	173,300	1.79
Daiwa Securities Co. Ltd	124,000	1.28
STATE STREET BANK WEST CLIENT_TREATY 505254	111,300	1.15
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	99,310	1.02
Japan Trustee Services Bank, Ltd. (Trust Account No.1)	98,100	1.01
Japan Trustee Services Bank, Ltd. (Trust Account No.7)	92,500	0.95

Existence of Controlling Shareholder (excluding parent company)	—
Existence of Parent Company	None

Supplementary Explanation

3. Corporate Data

Stock Exchange and Marketplace Section	Tokyo Stock Exchange, 1 st Section
Accounting Period	March
Type of Industry	Precision Equipment
Number of Employees at the Most Recent Fiscal Year-End (Consolidated):	500 or more and less than 1000
Consolidated Net Sales for the Most Recent Fiscal Year:	More than 10 billion yen and less than 100 billion yen
Number of Consolidated Subsidiaries at the Most Recent Fiscal Year-End:	10 or more and less than 50

4. Guidelines on Measures to Protect Minority Shareholders When Dealing with Controlling Shareholders

5. Other Special Circumstances that May Materially Affect Corporate Governance

II Corporate Governance Structure for Management Administration About Management Decision-making, Execution, and Supervision, and Others

1. Matters Concerning Institutional Structure and Organizational Operations

Organization Form	Company with Auditors
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[Director]

Maximum Number of Directors Stipulated in the Articles of Incorporation:	10
Terms of Office Specified in the Articles of Incorporation:	Two years
Chairperson of the Board of Directors:	President
Number of Directors:	5
Outside Directors appointed:	Appointed
Number of Outside Directors:	2
Number of Outside Directors Designated as Independent Directors:	1

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Junji Kido	Scholar											
Hideto Nishimura	From another company											

* Categories for "Relationship with the Company"

"○" when the Director presently falls or has recently fallen under the category;

"△" when the Director fell under the category in the past;

"●" when a close relative of the Director presently falls or has recently fallen under the category;

"▲" when a close relative of the Director fell under the category in the past

- a. Executive (a person who executes business; hereinafter, the same) 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 himself / herself only)
- i. Executive of a corporation to which outside officers are mutually appointed (the Director himself / herself only)
- j. Executive of a corporation that receives a donation from the Company (the Director himself / herself only)
- k. Other

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Junji Kido		<p>We have commissioned part of our research and development to Kido Lab at Yamagata University. The company's overall outsourcing expenses paid to Yamagata University as the required expenses for conducting this research are 12 million yen on average annually over the past three years.</p> <p>This amount is 0.02% of the ordinary income (41,932 million yen) of Yamagata University, a national university corporation, for the fiscal year 2018, which is extremely small.</p>	<p>We appoint Mr. Kido, who has rich experience and great insights about organic EL displays as an outside director, to improve our management and technology development capabilities.</p>
Hideto Nishimura	○	—	<p>We appoint Mr. Nishimura, who has experience with many years of experience as a business person and a management consultant and has sufficient insight into company management. We believe he is suitable for performing duties as an outside director.</p>

Voluntary Establishment of Committee(s) Equivalent to Nominating Committee or Remuneration Committee	—
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【Audit & Supervisory Board Member】

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Member Stipulated in Articles of Incorporation	4
Number of Audit & Supervisory Board Member	4

The Corporate Auditors meet regularly with the Accounting Auditors, and we receive reports from Accounting Auditors on the progress of accounting audits and audit results, including internal control.

Appointment of Outside Audit & Supervisory Board Member	Appointed
Numbers of Outside Audit & Supervisory Board Member	2
Number of Independent Officers Designated	1

Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Nobukazu Okura	From another company													
Kenichi Uda	From another company													

* Categories for "Relationship with the Company"

“○”when the Audit & Supervisory Board Member presently falls or has recently fallen under the category;

“△”when the Audit & Supervisory Board Member fell under the category in the past;

“●”when a close relative of the Audit & Supervisory Board Member presently falls or has recently fallen under the category

“▲”when a close relative of the Audit & Supervisory Board Member fell under the category in the past

- a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary
- 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. Audit & Supervisory Board Member 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 an Audit & Supervisory Board Member
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- j. Executive of a business partner of the Company (which does not correspond to any of f., g., or h.) (the Audit & Supervisory Board Member himself/herself only)
- k. Executive of a corporation to which outside officers are mutually appointed (the Audit & Supervisory Board Member himself/herself only)
- l. Executive of a corporation that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
- m. Other

Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Nobukazu Okura		—	He has great insights on business management.
Kenichi Uda	○	—	There are no disclosure weighting requirements for independence, and there is no risk of conflicts of interest with general shareholders, and He has great insights on business.

[Independent Officers]

Number of Independent Officers	2
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Matters relating to Independent Officers

[Incentives]

Implementation of Measures to Provide Incentives to Directors	Stock Options
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Supplementary Explanation

We believe that incentives further enhance morale and motivation for work and that employees contribute to the improvement of corporate value. Based on the Corporate Law, it will be resolved to issue stock acquisition rights as paid stock options for directors and employees at the Board of Directors. These stock acquisition rights are issued at a fair price for the underwriting, and it will be implemented without the approval of the general meeting of shareholders as they are not particularly favorable conditions.

Recipients of Stock Options	Internal Directors / Employees
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Supplementary Explanation

The granted status of the submitted stock options is as follows.

The 10th Stock Acquisition Right

Date of issue: September 2, 2016

Number of holders and number of stock acquisition rights: Internal director and employee of the company: 12 persons 1,300 stock acquisition rights

Type and number of shares targeted: 130,000 shares of common stock

Paid-in amount of stock acquisition rights: ¥ 1,600 per stock acquisition right

The 11th Stock Acquisition Right

Date of issue: July 13, 2017

Number of holders and number of stock acquisition rights: Internal director and employee of the company: 15 persons 1,420 stock acquisition rights

Type and number of shares targeted: 142,000 shares of common stock

Paid-in amount of stock acquisition rights: ¥ 1,400 per stock acquisition right

[Remuneration for Directors]

Disclosure Status of Individual Remuneration for Directors	We have not disclosed details of individual remuneration.
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Actual results for fiscal 2019

Director: Total of 235 million yen / 6 Directors

Auditors: Total of 17million yen / 2 Auditors

Outside Officers: Total of 37 million yen / 5 Officers

Existence of Policy for Determining Amount and Calculation Method of Remuneration <Updated>

Yes

Disclosed Details of Policy for Determining Amount and Calculation Method of Remuneration

The Company's basic policy is to set up a remuneration system for Directors linked to shareholders' interests to function well as an incentive for the sustainable enhancement of corporate value and to set appropriate remuneration levels for each Director based on their respective responsibilities.

Specifically, remuneration for internal directors in charge of business execution functions consists of basic remuneration as fixed remuneration and stock-based remuneration as non-monetary remuneration. In contrast, outside directors in charge of supervisory functions receive only basic remuneration in consideration of their duties.

Remuneration, etc., for corporate auditors, is determined through discussions among the corporate auditors, within the scope of the total amount of remuneration resolved at the General Meeting of Shareholders, considering whether they are full-time or part-time, and the status of their duties.

A. Basic remuneration Policy on basic remuneration

The basic remuneration for directors of the Company is a fixed monthly remuneration. The Board of Directors decides the remuneration for the current fiscal year in June, taking into account the level of other companies and business performance following the position, responsibilities, and years in office.

The basic remuneration for outside directors is a fixed, predetermined amount. The Board of Directors revises the basic remuneration in June of the current fiscal year and pays it as cash remuneration monthly.

The maximum amount of remuneration for Directors is 500 million yen per year (including up to 40 million yen per year for Outside Directors) under the resolution of the 20th Ordinary General Meeting of Shareholders held on June 27, 2017.

The amount of remuneration, etc., for Directors, does not include the salary for directors who also serve as employees.

The maximum amount of remuneration for corporate auditors is 50 million yen per year, as per the resolution of the 20th Ordinary General Meeting of Shareholders held on June 27, 2017.

B. Policy on non-monetary remuneration, etc.

Non-monetary remuneration etc., refers to the stock-based remuneration system introduced for three Directors as per the resolution of the 23rd Ordinary General Meeting of Shareholders held on June 25, 2020.

The Company has introduced this system to clarify further the linkage between the Company's business performance and stock value and the remuneration of Directors and raise awareness of their contribution to improving the Company's business performance and increasing corporate value over the medium to long term.

The Stock Incentive Plan is a stock-based compensation plan under which a trust established by the Company, to which the Company contributes money, acquires shares of the Company and delivers to each Director through the Trust the number of shares of the Company equivalent to the number of points granted by the Company to each Director.

In principle, the Company has set the time when the Directors receive the Company shares at their retirement from office.

The Company grants points to each Director according to his or her position on the point-granting date specified in the share grant regulations during the trust period under the share grant regulations established by the Company's Board of Directors.

Directors are, in principle, entitled to receive delivery of the Company's shares from the Trust in proportion to the number of points granted to them by completing the prescribed procedures for determining beneficiaries at the time of their retirement.

The amount and details of remuneration under this system are as follows.

- a. Eligibility for this program: Directors of the Company (excluding Outside Directors)
- b. Period covered: From the fiscal year ending March 31, 2021, to the fiscal year ending March 31, 2025
- c. Maximum amount of money to be contributed by the Company: 300 million yen in total
- d. Method of acquisition of the Company's shares: Disposal of treasury stock or acquisition from the stock exchange market
- e. Maximum number of points to be granted: 20,000 points per fiscal year
- f. Criteria for awarding points: Points are awarded according to the position, etc.

C. Policy on the ratio of remuneration, etc.

The Company determines the ratio of remuneration for each executive Director based on the remuneration levels benchmarked against companies of a similar business scale or in a related industry or business category to the Company.

The ratio of non-monetary compensation increases with the higher the position. A voluntary Nomination and Compensation Committee reviews the balance.

The Board of Directors (President and CEO who has been delegated by the voluntary Nomination and Compensation Committee in below article D) respects the content of the report of the voluntary Nomination and Compensation Committee. Accordingly, it determines the content of individual remuneration, etc., for each Director within the scope of the ratio of remuneration by type indicated in the report.

The ratio of each type of remuneration, etc., is determined so that non-monetary remuneration will account for 13% to 17% (depending on the position) of total remuneration.

In addition, at the 23rd Ordinary General Meeting of Shareholders held on June 25, 2020, it was decided that the maximum amount of remuneration for Directors as resolved at the 20th Ordinary General Meeting of Shareholders had on June 27, 2017 (up to 500 million yen per year (of which up to 40 million yen per year for Outside Directors)) shall be separate from non-monetary remuneration.

The amount of remuneration, etc., paid to Directors does not include the employee's salary for Directors who also serve as employees.

D. Matters concerning the delegation of decisions on remuneration, etc

The amount of remuneration for each Director is delegated to Shigeto Sugimoto, President & CEO, based on the board of directors' resolution, and his authority is limited to the amount of basic remuneration for each Director.

The reason for delegating this authority to the President and CEO is that he is most familiar with the Company's environment and business conditions.

The Board of Directors consults the voluntary Nomination and Compensation Committee on the draft and obtains its report to ensure that the President and CEO properly exercise the authority.

Stock-based compensation is paid following the Share Delivery Regulations established by the Board of Directors of the Company.

[Supporting System for Outside Directors and/or Audit & Supervisory Board Member]

There is no dedicated department to assist outside Corporate Auditors.

2. Matters on Functions of Business Execution, Audit and Supervision, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

Board of Directors

There are five Directors of the Company; three are full-time except for Outside Directors. The Board of Directors meets once a month, with extraordinary meetings held as needed. The board of Directors makes decisions on important matters such as auditing, monitoring, nomination, and compensation in our management, and Directors' execution of duties is reported monthly. As the executive officer takes on the role of executive officer in charge of operations, the Board of Directors clarifies that the primary role will be to determine essential management matters and policies and to supervise business execution.

Board of Corporate Auditors

The Corporate Auditors consist of four Corporate Auditors, including one full-time Corporate Auditor and three part-time Corporate Auditors. In principle, the Board of Corporate Auditors meets once a month or as needed. We hold discussions and reports among the Auditors. One of the outside corporate auditors is appointed as an independent officer. Auditors attend all meetings of the Board of Directors and all other significant meetings following Corporate Auditors' Auditing Standards and Audit Plans. They audit the Directors' execution of operations at the Company and its subsidiaries by such as hearing the status of operations and reading relevant documents. One of the outside Corporate Auditors has financial experience and sufficient knowledge of finance and accounting.

Internal Auditing System

We have established an Internal Auditing Department, which reports directly to President, as the department dedicated to internal auditing. Internal audits are conducted based on the annual audit plan following the internal audit rules that set the audit policy. The results are reported to President and full-time Corporate Auditor.

Audit by Accounting Auditor

We entered into an audit contract with Deloitte Touche Tohmatsu LLC and received an accounting audit of that audit corporation. The certified public accountants who conducted accounting audits of our company in 2017 were Mr. Hiroki Kitakata, Mr. Hisayori Kataoka, and Mr. Kazutoshi Hosono. There were 19 certified public accountants and assistants in total who have been engaged in the audit work besides those three certified public accountants.

3. Reasons for Adoption of Current Corporate Governance System

To pursue lasting profit and increase corporate value in the FPD (Flat Panel Displays) industry, we believe it is essential to have a “dynamic and flexible organizational management system” that can cope with changes in the environment and diversification of customer needs. We have appointed Outside Corporate Auditors who have extensive experience, broad insights, and expertise in each industry, and we believe that we can perform our supervisory management functions sufficiently by executing their audit duties.

III Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Energize General Meetings of Shareholders and Smooth Exercise of Voting Rights

	Supplementary Explanation
Early Notification of General Meeting of Shareholders	We ship notice of convocation seven days earlier than the legal date, and we post the notice on TDnet and our website 7 days before the date of shipment.
Providing Convocation Notice in English (Translated Partially)	We translate the convocation notice and reference documents into English in a narrow sense and publish them on the Tokyo Stock Exchange and our English Web page.

2. IR Activities

	Supplementary Explanation	Explanation by President
Regular Briefings for Analysts and Institutional Investors	We hold financial results meetings twice a year on the dates of announcement for the second quarter-end financial results and the year-end financial results.	Provided
Posting of IR Materials on Website	We publish IR materials such as financial statements, announcements, and explanatory meetings for institutional investors on our website, and provide them to shareholders and investors.	
Establishment of Department and/or Manager in charge of IR	We have established a department dedicated to IR and appointed employees who are in charge of IR activities.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Provisions to Ensure Due Respect for Stakeholders in Internal Rules, etc.	The Corporate Conduct Guidelines place importance on relationships with stakeholders and stipulate that we strive to maintain and develop appropriate and friendly relationships.
Implementation of Environmental Activities, CSR Activities, etc.	The Corporate Conduct Guidelines stipulate that we should recognize the corporate social responsibility, and we strive to protect and protect the environment in all corporate activities.
Formulation of Policies Concerning Provision of Information to Stakeholders	The Corporate Conduct Guidelines stipulate that we strive to disclose proactively appropriate management information promptly, prevent insider information leakage, and maintain confidentiality by insider trading rules and other rules.

IV Matters Related to Internal Control System

1. Basic Concept on Internal Control System and Progress of System Development

At the Board of Directors meeting held on April 27, 2015, we have resolved the following as a basic policy for establishing a system to ensure the appropriateness of operations.

Basic Concept on Internal Control System Development

1. System for ensuring that the execution of duties of Directors and employees conforms to laws and regulations and the Articles of Incorporation

We shall establish basic compliance rules, make them well known throughout the company, and foster compliance awareness to ensure that directors and employees comply with laws and regulations and the articles of incorporation, and to respect social ethics. The department in charge investigates whether there are a problem and reports to the board of directors.

2. System for storing and managing information related to the execution of duties by Directors

We shall establish rules concerning document management, and system such as browsing, storing, and disposal those documents related to the execution of duties by directors and employees, in addition to those stipulated by the Board of Directors. Besides, based on the document approval rules, we shall set the specific procedures for making decisions such as application and decision.

3. Regulations and other systems for managing the risk of loss

While trying to prevent risks by complying with internal regulations, prepare for the occurrence of risks, determine basic measures according to the types, and strive to minimize losses. We shall also establish a disclosure system according to the extent of the loss.

4. System for ensuring efficient execution of duties by Directors

- 1) In addition to regular meetings of the Board of Directors, we shall also hold extraordinary meetings as appropriate to share information among directors and corporate auditors and to make prompt and transparent decisions.
- 2) We shall promote the sharing of information and awareness of issues among directors, corporate auditors, and employees by holding sales meetings.
- 3) We shall maintain internal rules for the authority, organization, and division of duties, clarify the responsibilities and authority of the directors and employees, and strive for appropriate, efficient, and transparent decision-making.

5. System for ensuring the appropriateness of work in a Corporate Group

1) System as a Corporate Group

We shall establish a system for managing affiliated companies, such as the establishment of a general manager of affiliated companies, and strive for the smooth operation of our group through appropriate management of affiliated companies.

2) System for reporting to the Company matters about the execution of duties by Directors of subsidiaries and employees who execute business

Subsidiaries regularly report to the Headquarter on business results, financial affairs, accounting, personnel affairs, and other critical business matters, which they have decided with the Company, through the general manager of affiliated companies.

3) System for managing the risk of loss of subsidiaries

In addition to establishing a risk management system for the entire group, including the subsidiaries in the company's risk management basic rules, each subsidiary shall endeavor to improve its system.

4) System for ensuring efficient execution of duties by Directors of Subsidiaries

The Company shall communicate important matters of management to each subsidiary promptly, and share information to strive for efficient execution of directors of the subsidiaries.

- 5) System for ensuring that the execution of duties of Directors of the Subsidiaries and employees conforms to laws and regulations and the Articles of Incorporation

We shall establish the code of conduct and the Basic Group Compliance Regulations for the whole group, and the general manager of affiliated companies and the audit department in Headquarters shall carry out internal audits.

6. System for concerning the employee when the corporate auditors request that the employee shall support the duties, system for ensuring its effectiveness and system for regarding the independence of its employees from Directors

- 1) We shall place an employee to assist the Corporate Auditors in their duties if the Corporate Auditors require, and treat that employee in a manner that respects the opinion of the Board of Corporate Auditors and make the employee independent from the Directors.
- 2) Employees who shall assist Corporate Auditors' duties shall not concurrently serve as employees of other departments and shall follow the direction and instructions of Corporate Auditors.

7. System for reporting by directors and employees to corporate auditors, other system related to reporting to corporate auditors, and another system for ensuring that corporate auditors audit effectively

- 1) Auditors shall receive reports from the accounting auditor, directors of the Company and subsidiaries, auditors and employees of the Company, or persons who receive reports from these persons as needed, exchange views and ensure the effectiveness of audits.
- 2) Directors, Corporate Auditors, and employees of the Group shall make appropriate reports promptly when they are required to report on matters related to business execution by the Corporate Auditors.

8. System for ensuring that those who report to auditors do not receive adverse treatment

We shall establish matters concerning whistleblower protection in the Basic Group Compliance Regulations and ensure that we communicate about it thoroughly to the whole Group.

9. Policies on prepayment of expenses incurred for the execution of duties of corporate auditors, reimbursement proceedings and other costs incurred for the execution of such duties, and processing of debt

When Corporate Auditors request the Company to pay expenses under Article 388 of the Companies Act for the execution of their duties, General Affairs Department shall accept it and handle such expenses or liabilities promptly. Also, we shall establish a system for ensuring the credibility of financial reports and managing the risk of fraud and errors based on the basic policy on internal control over financial reports.

2. Basic Concept toward Elimination of Antisocial Forces and Status

1) Basic Concept toward Elimination of Antisocial Forces

Our basic policy upon the corporate code of conduct is that we strive to act in good faith daily so as not to be involved in illegal or antisocial activities. We shall have a resolute attitude towards and shall not have any relationship with antisocial forces.

2) Countermeasures to the Elimination of Antisocial Forces

We shall place the General Affairs Department as the responsible department for preventing inappropriate claims and assign a person in charge. We shall beware trends in antisocial forces from the perspective of social responsibility and corporate defense. Also, we have joined the Kanagawa Prefecture Corporate Defense Measures Council to gather daily information, participate in a lecture class, and receive instruction from the secretariat and the police. We shall continue establishing the structure of the elimination of antisocial forces.

1. Adoption of Takeover Defense Measures

Adoption of Takeover Defense Measures

Not adopted

Supplementary Explanation

2. Other Matters Concerning Corporate Governance System

Policy regarding internal systems related to timely disclosure, structure establishment, and effort for promoting dialogue with shareholders

1. IR activities

For all shareholders and investors and analysts (“shareholders and investors”), V-Technology Group (including the Company and all subsidiaries of the Company, “Group”) shall disclose information such as our management strategy and information regarding financial and performance status in a fair, timely and appropriate manner. We shall also disclose other information that contributes to the enhancement of dialogue with shareholders and investors and maintain the system for the information disclosure.

We aim to earn the trust and appropriate evaluation from shareholders and investors as we exert ourselves to have shareholders and investors understand the Group's management strategies.

Also, we shall utilize the helpful opinions and requests from shareholders and investors as references for company management by the Management Committee and the Board of Directors. We shall also endeavor to improve corporate value.

2. System of Information disclosure and dialogue

1) The basic approach of information disclosure

The Company shall disclose essential facts and information that the Company considers following the Financial Instruments and Exchange Act and other regulations and the Securities Listing Regulations constituted by the Tokyo Stock Exchange. Also, we shall make fair, timely, and appropriate disclosure of information that contributes to the enhancement of dialogue with shareholders and investors.

2) Information disclosure based on laws and regulations and access to information

We shall disclose information based on the "Financial Instruments and Exchange Act" through the "Electronic Disclosure system related to disclosure documents such as securities reports, etc." (Called "EDINET") provided by the Financial Services Agency. We shall also publish the same disclosure documents promptly on our website.

We shall disclose information based on the "Securities Listing Regulations" through the "Timely Disclosure Information Transmission System" (Called "TDnet") provided by the Tokyo Stock Exchange, and we shall also publish the same disclosure documents on our website.

We shall publish helpful information that contributes to the enhancement of the dialogue. Such as financial results briefing materials (supplementary materials), business explanatory materials, shareholder communications, relevant information, and news releases which apply to the “Financial Instruments and Exchange Act” on our website.

3) Information disclosure system and the contact point for dialogue

The executive officer in charge of the administration serves as the information handling officer, and the management headquarters collects information from the information management staff of each department and Group Company of the Company and reports it to the President and CEO. The information handling officer shall make various disclosures under the direction of the President and CEO.

Also, the CEO has overall control over the dialogue with shareholders and investors, and the President's Office IR Group acts as the contact point for dialogue. Either the CEO, the information handling officer, the President's Office IR Group leader, the General Affairs Department manager, the Finance and Accounting Department manager, or the person appointed by the information handling officer handles the dialogue properly.

【Corporate Governance Structure】

