

The state of the company's corporate governance is as described below.

## I Basic Views Regarding Corporate Governance and Basic Information Regarding Capital Formation and Corporate Attributes

### 1. Basic Policy

As part of our vision to "launch Baroque on the world stage as a leading Japanese fashion brand," we, as a group, are aware that strengthening and improving corporate governance in response to the expectations of our shareholders, customers, business partners and local communities is a major way of improving corporate value.

In line with this basic policy we are building a structure of corporate governance whereby we can increase the transparency and efficiency of management team, while streamlining our internal control systems and enhancing compliance.

### [Reasons for Not Implementing the Principles of the Corporate Governance Code]

[Principle 1-2 Exercise of Shareholder Rights at General Shareholders' Meetings]

(Supplementary Principle 1-2-2)

We endeavor to send the convocation notice for the general meeting of shareholders earlier than the due date determined by law in order to give shareholders sufficient time to consider the agenda. With regard to information that is to be included in the convocation notice, we shall endeavor to publish such information through TDnet or on our company website prior to sending it out in order to meet the demands of shareholders who wish to know the contents of the convocation notice as early as possible.

(Supplementary Principle 1-2-4)

A majority of our shareholders are Japanese legal entities or Japanese nationals, and as the ratio of overseas investors is expected to be relatively low, at this stage, in respect of work efficiency, we are not preparing an environment for making the execution of voting rights possible from overseas (i.e. use of platforms to make electronic voting available). However, we have plans to make such an arrangement available once the proportion of overseas investors exceeds 20% (excluding the voting right ratio of shareholder with a standing proxy in Japan).

[Principle 4-8 Effective Use of Independent Outside Directors]

(Supplementary Principle 4-8-1)

Although we do not hold meetings comprised solely of outside directors, we do endeavor to hold regular meeting of independent outside directors, external auditors and standing corporate auditors to exchange information and share awareness.

(Supplementary Principle 4-8-2)

Although no head of independent outside directors has been appointed, regular meetings of independent outside directors, external auditors and standing corporate auditors are held, liaison between them and the management team is conducted by our Human Resources and General Affairs Department in response to requests from independent outside directors.

[Principle 4-10 Use of Voluntary Structures]

(Supplementary Principle 4-10-1)

We appoint two independent outside directors to our board of nine directors with the aim of endeavoring to increase accountability and improve transparency among the management team, and the approval of a meeting of the board of directors that is attended by independent outside directors must be obtained with regard to resolutions concerning important matters, such as the appointment, dismissal and remuneration of directors. Although we have established no voluntary committees, etc., in our company, when considering important matters we seek appropriate involvement and advice from the independent outside directors in the meeting of the board of directors.

[Principle 4-11 Preconditions for the Board of Directors and the Board of Auditors]

(Supplementary Principle 4-11-3)

The board of directors is comprised of not only directors and auditors appointed from within the company, but also of independent outside directors and external auditors who have adequate knowledge, experience and abilities and who give their opinions regarding the carrying out of the supervisory and auditing functions required of the board of directors and whether or not the board of directors is functioning effectively. In the future we will consider how best to analyze and evaluate the overall effectiveness of the board of directors and consider and release an outline of the results of such analysis and evaluation.

[Principle 4-14 Director and Auditor Training]

(Supplementary Principle 4-14-2)

Each director and auditor attends seminars, etc., organized by outside organizations and endeavors to acquire the knowledge necessary to fulfill their duties and responsibilities, with support being provided by the company regarding necessary expenses. In the future we will consider formulating plans and policies for education and training for directors and auditors. We will also consider the disclosure of our training policy.

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

Communication between the company and its shareholders is carried out by the Human Resources and General Affairs Department under the supervision of the Information Management Officer. Regular meetings of the Accounting Department, Human Resource and General Affairs Department and the Management Planning Office are held to exchange opinions based on their respective professional views regarding disclosure and explanation of matters, such as the settlement of accounts, so that they can collaborate and respond appropriately. We also engage in efforts to deepen the understanding of shareholders with regard to our corporate strategies and business environment by posting information on our website and by other means. We share information regarding the opinions received from shareholders and analysts and report such as necessary to the board of directors, and plan to actively incorporate such opinions in management strategy reviews, etc. With regard to discussions with shareholders, we will ensure not to leak any insider information by establishing regulations regarding insider trading, etc.

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

[Principle 1-4 So-Called Cross-Shareholdings]

The company currently has a basic policy of not holding strategic cross-shareholdings, except where, in light of changes in the environment surrounding the corporate governance code and the risk associated with stock prices, there are cases where the significance of holding such stocks is acknowledged. The company currently has no strategic cross-shareholdings.

Cases where the significance of holding such stocks is acknowledged are said to be cases where, from an all-round perspective encompassing factors such as maintaining/strengthening business relationships, strategic business collaboration, the growth potential/financial stability of the company issuing stocks and the collection of information regarding the industry in which the company in question belongs, etc., and based on verification conducted regarding the justifiability of holding such stocks, it is deemed that the holding of such stocks contributes to the maintenance/improvement of the corporate value of this company. Verification regarding the significance of holding such stocks will be regularly and continuously carried out, and with regard to stocks which are deemed to have poor significance, we shall sell them at appropriate times while considering factors such as the influence of doing so on the market.

[Principle 1-7 Related Party Transactions]

In accordance with regulations governing the board of directors and regulations governing related party transactions, as a rule, transactions between directors and major shareholders, etc., (transactions between related parties) must be approved by way of resolution by the board of directors beforehand. When conducting such transactions, transaction conditions are determined in the same way as for transactions with a third party. Furthermore, all such transactions are monitored, with reports regarding the content of such transactions being regularly submitted to the board of directors.

[Principle 3-1 Full Disclosure]

- (1) Management philosophy and corporate strategy are actively shared on the company website.
- (2) Our basic views and basic policies regarding corporate governance are described in this report under Principle 1-1.[Basic Policy].
- (3) Policies and procedures used by the board of directors when determining the remuneration of directors are described in this report in 2.1. [Remuneration for Directors] “Disclosure regarding Policies for Determining the Amount of Remuneration and Methods of Calculation.”
- (4) Policies regarding the appointment of executive directors and the nomination of candidates for directors/auditors by the board of directors are as shown below. On the basis of these policies, bearing in mind the opinions of independent outside directors, etc., the President proposes a draft list of candidates to the board of directors, after which candidates are selected in a meeting of the board of directors.
  - A. Basic Policy Regarding the Appointment of Directors
  - A director will be appointed from among personnel inside the company, as a rule, in consideration of the following.
    - 1 They possess the knowledge and experience to be able to appropriately perform the business of the company.
    - 2 They have a clear vision for the future and are able to put it into action.
    - 3 They have a character that is trusted and respected by employees.
    - 4 They have adequate knowledge and experience regarding regulatory compliance and risk management.
  - B. Policies regarding Raising Up the Next-Generation of Management Staff
  - In this company we run an executive staff program whereby upcoming director and management staff candidates are given opportunities to gain management experience from an early stage.
  - C. Policies regarding the Selection of Outside Directors
  - With a basic requirement that the individual is not a member of a company with a potential conflict of interest, our policy is to endeavor to strengthen governance as required by inviting people with specialized knowledge, such as former company directors, lawyers and certified accountants, to become outside directors.
  - D. Criteria for the Selection of Auditors
  - Someone who is able to perform adequately as part of the board of auditors or as an auditor to regulate the company from within.
  - Someone who has acquired a thorough understanding of corporate legal affairs, accounting and internal audits through experience as an external auditor, outside director or internal auditor, etc., for a company listed on the stock exchange.
  - Someone who understands the strengths and attributes of the company and what it takes for the company to grown in a healthy manner.
- (5) In terms of an explanation regarding the appointment/nomination of individuals when the board of directors appoints management staff and nominates director/auditor candidates, a brief résumé for each individual is contained in the convocation notice for the general meeting of shareholders, and reasons for selecting each outside director and external auditor candidates are also included.

[Principle 4-1 Roles and Responsibilities of the Board (1)]

(Supplementary Principle 4-1-1)

With regard to matters that require the passing of a resolution in a meeting of the board of directors, or the circulation of a draft proposal among executive members, we determine detailed and specific standards for placing such agenda items or submitting such reports, while for matters that are outside the scope of being able to be handled as agenda items in a meeting of the board of directors, such decision making is left to the discretion of the President and other directors in accordance with stipulations regarding their official authority.

[Principle 4-8 Effective Use of Independent Outside Directors]

Our company has two independent outside directors who are qualified to be independent directors as determined by the Tokyo Stock Exchange, which makes it possible to hold discussions with independent and neutral opinions in the meetings of the board of directors.

[Principle 4-9 Independence Standards and Qualification for Independent Outside Directors]

We select independent outside director candidates based on the independence standard determined by the Tokyo Stock Exchange.

[Principle 4-11 Preconditions for the Board of Directors and the Board of Auditors]

(Supplementary Principle 4-11-1)

Our basic policy for forming the board of directors is to have directors from within the company who have specialized knowledge and abilities regarding our business, and a multiple number of independent outside directors who are able to actively voice their opinions from an independent and objective point of view. We aim to keep the composition of the board of directors balanced in terms of management skills, knowledge, experience and the abilities required to tackle challenges, as well as to maintain a global perspective, and to keep it at an appropriate size that is optimum for making quick decisions on an ongoing basis.

(Supplementary Principle 4-11-2)

All directors and auditors, including outside directors and external auditors, put aside the necessary time and effort to properly fulfill their duties and obligations as directors/auditors, and the holding of concurrent post is kept within reasonable limits. The state of directors/auditors with concurrent posts is disclosed in our financial statement and convocation notice.

(Supplementary Principle 4-11-3)

As described in the aforementioned [Reasons for Not Implementing the Principles of the Corporate Governance Code.]

(Supplementary Principle 4-14-2)

As described in the aforementioned [Reasons for Not Implementing the Principles of the Corporate Governance Code.]

**【Principle 5-1: Policy for Constructive Dialogue with Shareholders】**

As described in the aforementioned [Reasons for Not Implementing the Principles of the Corporate Governance Code.]

## 2. Capital Formation

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

Name/Company Name	No. of Shares Held (Shares)	Shareholding Ratio (%)
Mutual Crown Limited	7,284,600	20.50
ORIX Corporation	6,815,600	19.10
CDH Runway Investment (HK) Limited	5,242,900	14.70
Hiroyuki Murai	3,550,100	9.90
Seiki Nara	100,000	0.20
Tetsuhito Fukazawa	100,000	0.20
Mizuki Fukazawa	100,000	0.20
Keiichiro Koike	80,000	0.20
Hideki Ikeuchi	60,000	0.10
Tsutomu Kumagura	60,000	0.10

Controlling Shareholder (except for parent company)	----
Parent Company	None

Additional Explanation
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## 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year End	January
Type of Business	Retail
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Sales (consolidated) as of the End of the Previous Fiscal Year	10 billion yen or more and less than 100 billion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Less than 10 companies

## 4. Policy regarding Measures for Protecting Minority Shareholders when Conducting Transactions, etc., with a Controlling Shareholder

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

(Policy and Measures Regarding How to Secure Independence from Parent Company, etc.)

Although the company has a close relationship in terms of capital ties with Belle International Holdings Limited, which is the equivalent of a parent company, etc., our basic policy is to maintain independence in terms of our business activity and management decisions.

(Level of Company's Independence in Terms of a Relationship with Parent Company, etc.)

Our group plans to engage in business activities independently, with no restrictions from the parent company, etc., such as having to obtain prior approval from them or having executives dispatched from them.

(Other Facts that could Potentially have a Major Influence on Corporate Governance)

Although we have appointed two (2) directors (part-time) from the parent company, etc., with the aim of obtaining their management advice, based on their objective perspective as outsiders and their experience and knowledge, we plan to maintain the situation where there are no restrictions from the parent company, etc., with respect to the business activities and management decisions of our group. Furthermore, we believe that a certain level of independence is being maintained as we appoint independent executives to ensure that the number of directors concurrently holding a position in the parent company, etc., and our company does not reach a majority of board of directors.

## II Overview of Corporate Governance Structure in terms of the Organization of Management regarding Managerial Decision-Making, Execution of Duty, Oversight and other matters

### 1. Items Regarding Institutional Structure and Organizational Operation

Organizational Form	Company with audit and supervisory board
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#### [Directors]

Maximum Number of Directors Stipulated in the Articles of Incorporation	12
Term of Office Stipulated in the Articles of Incorporation	1 year
Chairman of the Board	Company President
Number of Directors	9
Outside Director Appointment Status	Appointed
Number of Outside Directors	6
Number of Outside Directors Designated as Independent Executives	2

#### Relationship with Company (1)

Name	Affiliation	Relationship with Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Baijiao Sheng	From another company							○				
Fang Sheng	From another company	○						○				
Ryo Inoue	From another company							○				
Hu Xiaoling	From another company							○				
Kyosuke Shinozawa	Others											
Tadahisa Hama	Lawyer											

#### \* Categories for “Relationship with the company”

\* “○” when the director presently falls or has recently fallen under the category; and “△” when the director fell under the category in the past.

\* “●” when a close relative presently falls or has recently fallen under the category; and “▲” when a close relative fell under the category in the past.

- a Executive of a company listed on the stock exchange or its subsidiary.
- b Executive or non-executive director of the parent company of a company listed on the stock exchange.
- c Executive of a sister company of a company listed on the stock exchange.
- d A party who is the major trading client of a company listed on the stock exchange or an executive thereof.
- e A party whose major trading client is a company listed on the stock exchange, or an executive thereof.
- f A consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property other than executive remuneration from a company listed on the stock exchange.
- g The main shareholder of a company listed on the stock exchange (when such main shareholder is a legal entity, an executive of that legal entity).
- h An executive (only the individual concerned) of a client of a company listed on the stock exchange (who does not correspond to d, e or f).
- i An executive of a company between which and the company outside executives are mutually appointed (only the individual concerned).
- j The executive of a company or organization that receives a donation from a company listed on the stock exchange (only the individual concerned).
- k Others.

#### Relationship with Company (2)

Name	Independent Director	Supplementary Explanation of Relationship	Reason for Appointment
Baijiao Sheng		Executive Director and CEO of Belle International Holdings Limited, which indirectly controls Mutual Crown Limited, which is the main shareholder of this company.	Appointed as an outside director on account of the rich experience and broad discernment regarding company management that he brings to the management of our company.
Fang Sheng		Executive Director and Senior Vice President of Belle International Holdings Limited, which indirectly controls Mutual Crown Limited, which is the main shareholder of this company. In addition, is the legal representative of the retail company Baroque (Shanghai) Boutique, Ltd., the Chinese joint venture with Belle International Holdings Limited.	Appointed as an outside director on account of the rich experience and broad discernment regarding company management that he brings to the management of our company.

Ryo Inoue		President and CEO of ORIX Corporation, which is one of the main shareholders of this company.	Appointed as an outside director on account of the rich experience and broad discernment regarding company management that he brings to the management of our company.
Hu Xiaoling		Managing Director of CDH Investments, which indirectly controls CDH Runway Investment (HK) Limited, which is one of the main shareholders of this company.	Appointed as an outside director on account of the rich experience and broad discernment regarding company management that he brings to the management of our company.
Kyosuke Shinozawa	○	----	Appointed as an outside director on account of the rich knowledge/experience and broad discernment gleaned from his successful career in the Finance Ministry (current the Ministry of Finance) and in the realm of international finance that he brings to the management of our company. Furthermore, as he has no particular vested interest in the company, he was appointed as an independent executive as there is no fear of a conflict of interest arising with general shareholders.
Tadahisa Hama	○	----	Appointed as an external auditor of the company on account of the rich experience in legal circles and legal administration and the broad discernment that he brings to the management of our company. He was also appointed as an outside director on account of his experience as the head of a compliance committee, which he brings to the management of our company. Furthermore, as he has no particular vested interest in the company, he was also appointed as an independent executive as there is no fear of a conflict of interest arising with general shareholders.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	None
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#### [Auditors]

Establishment of Board of Auditors	Appointed
Maximum Number of Auditors Stipulated in the Articles of Incorporation	5
Number of Company Auditors	3

#### Auditor, Accounting Auditor and Internal Audit Department Collaboration Status

Auditors and the person in charge of the Internal Audit Department meet once every second month to verify audit content and exchange opinions. Furthermore, auditors, accounting auditors and the person in charge of the Internal Audit Department meet to exchange opinions and collaborate every quarter.

Appointment of External Corporate Auditor	Appointed
Number of External Auditors	2
Number of External Auditors Designated as Independent Executives	2

#### Relationship with Company (1)

Name	Affiliation	Relationship with Company (*)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Yoshiki Yoshida	From another company													
Hiroshi Nagayasu	Lawyer													

\* Categories for “Relationship with the company”

\* “○” when the director presently falls or has recently fallen under the category; and “△” when the director fell under the category in the past.

\* “●” when a close relative presently falls or has recently fallen under the category; and “▲” when a close relative fell under the category in the past.

a Executive of a company listed on the stock exchange or its subsidiary.

b A non-executive director or accounting advisor of a company listed on the stock exchange or a subsidiary of such.

c Executive or non-executive director of the parent company of a company listed on the stock exchange.

d An auditor of the parent company of a company listed on the stock exchange.

e Executive of a sister company of a company listed on the stock exchange.

- f A party who is the major trading client of a company listed on the stock exchange or an executive thereof.
- g A party whose major trading client is a company listed on the stock exchange, or an executive thereof.
- h A consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property other than executive remuneration from a company listed on the stock exchange.
- i The main shareholder of a company listed on the stock exchange (when such main shareholder is a legal entity, an executive of that legal entity).
- j An executive (only the individual concerned) of a client of a company listed on the stock exchange (who does not correspond to d, e or f).
- k An executive of a company between which and the company outside executives are mutually appointed (only the individual concerned).
- l The executive of a company or organization that receives a donation from a company listed on the stock exchange (only the individual concerned).
- m Others.

Relationship with Company (2)

#### [Independent Executives]

Name	Independent Director	Supplementary Explanation of Relationship	Reason for Appointment
Yoshiki Yoshida	○	-----	Appointed as an external auditor on account of the rich experience as an internal auditor and a standing auditor in the company that he brings to the enhancement of the audit structure of our company.
Hiroshi Nagayasu	○	-----	Appointed as an external auditor on account of the rich experience and broad discernment as a lawyer that he brings to the auditing operations of our company.

Number of Independent Executives 4

Other Matters Relating to Independent Executives

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#### [Incentives]

Implementation of Measures to Provide Incentives to Directors	Introduce a stock option system
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Supplementary Explanation

Incentives were adopted for directors with the aim of boosting morale and the desire to contribute to the medium- to long-term business performance and corporate value of the company in order to strengthen the business performance and the continuity of the value of the stocks of the company.

Recipients of Stock Options	Inside Directors, Employees, Directors of Subsidiaries, Employees of Subsidiaries, etc.
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Supplementary Explanation

Incentives were adopted for directors and employees with the aim of boosting morale and the desire to contribute to the medium- to long-term business performance and corporate value of the company in order to strengthen the business performance and the continuity of the value of the stocks of the company.

#### [Director Remuneration]

Disclosure (of Individual Director Remuneration)	Individual remuneration is not disclosed.
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Supplementary Explanation

The total amount of remuneration for directors of the company is disclosed.

The Amount of Remuneration and the Policy for Determining the Method of Calculating Remuneration	Yes
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Remuneration for directors, with the exception of outside directors, consists of basic remuneration and short-term performance-based bonuses. Outside directors are only paid a basic remuneration.

With regard to the payment of remuneration for directors, the business performance of the company and the performance of each executive are evaluated, and proposals are formulated within the scope approved by the general meeting of shareholders (JPY 1 billion/year), after which the remuneration, etc., for each person is deliberated on and determined at a meeting of the board of directors.

In order to carry out and promote the business operations of the company throughout the world, although there are cases in which executives of the company are also executives of overseas subsidiaries, the total amount of remuneration, etc., for such executives shall be within the scope approved at a general meeting of shareholders and determined at a meeting of the board of directors of this company. Furthermore, the employment history and performance of such executives at this company and at overseas subsidiaries shall be evaluated, and an amount that is determined to be appropriate as remuneration for the executives of overseas subsidiaries and such amount shall be paid by such overseas subsidiary.

#### **[Outside Director (External Auditor) Support System]**

In terms of support for outside directors, ahead of meetings such as regular and extraordinary meetings of the board of directors, in addition to sending out information regarding resolutions, the Human Resources and General Affairs Department, which acts as the secretariat for meetings such as the meetings of the board of directors, responds to questions from outside directors. In terms of support for external auditors, ahead of meetings such as regular and extraordinary meetings of the board of auditors and the board of directors, in addition to sending out information regarding resolutions, the Internal Audit Office, which provides support to auditors, responds to questions from external auditors and provides information regarding the company as appropriate from the standing auditors.

### **2. Matters Regarding Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of the Current Corporate Governance Structure)**

The company employs corporate governance structure with a board of directors and a board of auditors with a double check mechanism whereby the board of directors carries out oversight and auditors/the board of auditors carries out audits. Outside directors and auditors with rich experience and broad discernment in management and specialized areas attend the meeting of the board of directors and strengthen management monitoring functions by providing their opinions. Furthermore, in order for auditors to be able to provide their opinions regarding managers from an independent objective perspective, majority of the auditors are external auditors and they also strengthen management monitoring. Moreover, by introducing an executive staff system, we have separated business execution and auditing functions, clarified management responsibilities and endeavored to streamline the decision-making process, and by having standing auditors attend executive meetings, we have further strengthened management monitoring functions.

### **3. Reasons for Selecting the Present Structure of Corporate Governance**

From the standpoint of improving efficiency and transparency by separating management and business execution, the company has made it possible for decisions to be made regarding matters such as management policy and management strategy by a meeting of the board of directors comprised of a majority of outside directors who delegate power regarding business execution to the executives, with supervision of the state of such business execution being carried out by the board of directors. Furthermore, the board of auditors which is comprised of two external auditors and one internal auditor, collaborates with outside directors and carries out audits from a neutral position, making it possible to give their opinions regarding management. By adopting this system the company is endeavoring to strength internal controls.

### III Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Revitalize the General Meeting of Shareholders and Facilitate the Execution of Voting Rights

	Supplementary Explanation
Send Notice of Convocation of General Meeting of Shareholders Earlier	Although it is determined by laws and ordinance that the notice of convocation of the General Meeting of Shareholders shall be sent out in document or electronic form more than two (2) weeks prior to the due date for the execution of voting rights, the company endeavors to send it out earlier if at all possible.
Schedule AGMs to Avoid Busy Times	The settlement of accounts for this company is January and by holding the General Meeting of Shareholders in April we try to avoid busy times.
Allow Electronic Execution of Voting Rights	This is not at present implemented but it is under consideration.
Allow the Use of Electronic Voting Platforms and Introduce Other Measures to Improve the Voting Environment for Institutional Investors	This is not at present implemented but it is under consideration.
Provide the Notice of Convocation in English (Summary)	The company is considering creating an English version of the Notice of Convocation of the General Meeting of Shareholders (Summary) and posting it on the IR page of our website.
Others	The company is planning to post the Notice of Convocation of the General Meeting of Shareholders on the company's IR website.

#### 2. IR Activities

	Supplementary Explanation	Briefings Conducted by the Representative Themselves
Preparation and Publication of Disclosure Policy	The company plans to add a new IR Information section to its website. Preparations are underway and content is being created with a view to be being released on the day on which the company is listed on the stock exchange.	
Holding of Regular Briefings for Individual Investors	At this point the company has no plans to do this, but will keep an eye on the situation and consider holding them.	Yes
Holding of Regular Briefings for Analysts and Institutional Investors	Details have yet to be decided, but at the time of the settlement of accounts for the second quarter, in addition to holding regular financial meetings, the company plans to hold large, small or one-on-one meetings as the situation dictates. The company plans to add a new IR Information section to its website. Preparations are underway and content is being created with a view to be being released on the day on which the company is listed on the stock exchange.	Yes
Holding of Regular Briefings for Overseas Investors	At this point the company has no plans to do this, but will keep an eye on the situation and consider holding them. The company will also consider individual visits to overseas investors by the President and/or participating in joint meetings for overseas investors hosted by securities companies.	Yes
Posting of IR Materials on the Website	The company is preparing to add an IR Information section to its official website from the day on which it is listed on the stock exchange and post financial briefs, timely updates, annual security reports, results briefings and other information	
Establishment of a Department (Manager) to be in Charge of IR	Human Resources & General Affairs Department	

### 3. State of Measures to Ensure Due Respect to the Position of Stakeholders

	Supplementary Explanation
Stipulation of Internal Rules for Respecting the Position of Stakeholders	It is stipulated as one of the basic policies of the <i>Baroque Japan Limited Action Guidelines</i> that we will establish and maintain good relationships with all stakeholders that support the company, including shareholders, business partners, clients, people in the local community and employees.
Implementation of Environmental Conservation Activities and CSR Activities, etc.	In order to fulfill our social responsibility as a corporate citizen and proudly pursue the expansion of our business, CSR news is posted on our website detailing our activities, such as ‘Social Contributions/Environmental Preservation Challenges,’ ‘Safety/Quality Challenges’ and ‘Work Environment Challenges.’
Formulation of policies, etc., concerning the provision of information to stakeholders	The basic policy of our group is to not only carry out appropriate and timely disclosure of information based on the <i>Financial Instruments and Exchange Act</i> and the rules on the listing of securities of the Stock Exchange, but also to proactively and voluntarily increase the content of disclosed information with the aim of ensuring the transparency and fairness of management.

## IV Matters regarding Internal Control Systems

### 1. Basic Views on Internal Control Systems and their Current State

We have internal control systems in place that are governed by *Basic Regulations Regarding Internal Control Systems* and *Basic Policies Regarding Internal Control Systems*. Audits are carried out by auditors in accordance with the *Standard Protocol for Audits of Internal Control Systems*. (Risk Management System)

At our company, should a emergency situation arise regarding a crisis that surround the company, we have a *Crisis Management Protocol* that was established with the aim of quickly ascertaining, verifying and rapidly and appropriately dealing with the situation while minimize risk, so should such emergencies arise, people know how to respond and who to contact. Furthermore, in cases of specific emergencies, or are expected to arise, in accordance with those protocols, we will set up an emergency response headquarter with the President as Director. Moreover, with regard to risks associated with business activities, depending on the scope and degree impact, the board of directors, executive board and board of division managers discuss such matters as required and endeavor to rapidly identify such risks and prevent them.

(Compliance System)

At our company, with the aim of strengthening and promoting regulatory compliance, we established *Compliance Protocols* and *Compliance Committee Regulations* and formulated a compliance system under the jurisdiction of the Corporate Governance Control Room. In accordance with the *Compliance Committee Regulations*, a Compliance Committee was established to (1) investigate and make proposals as to how to spread awareness among directors and other employees regarding compliance to laws/ordinances and company regulations; (2) give advice regarding investigating acts of noncompliance to laws/ordinance and company regulations, ways of finding the cause, how to prevent recurrence and make proposals regarding such; (3) carry out activities such as considering and making proposals regarding basic policy for corporate action and the compliance system, etc. We also established a *Whistleblower Protocol*, which operates through a hotline established within the Corporate Governance Control Room and an advisory attorney's office in order to find and correct improper actions at an early stage.

(Information Security System and Personal Information Protection System)

At our company, we established an *Information Security Management Code* as part of our basic policy regarding information security. Information security management measures are planned, proposed and implemented under the supervision of the executive in charge of the information systems, who is in charge of information security control. The head of each department is also appointed as information security administrator to be in charge of implementing and promoting information security management related to the activities supervised by each manager.

Furthermore, with the aim of appropriately using, handling and protecting personal information, we established a *Personal Information Protection Basic Management Code*, under which a Personal Information Protection and Management Officer is appointed and, depending on the type of personal information being handled and the scope of responsibility, etc., a Personal Information Protection Implementation Officer is appointed. Furthermore, we are formulating our Personal Information Protection Policy in accordance with the abovementioned Code and are endeavoring to protect personal information, such as customer information, etc., through such activities.

In terms of regulations regarding information management, we have the *Information System Development Management Code* and the *Information System Subcontracted Management Code* for managing matters relating to system development and subcontractor handing of information during contracted operations.

(Progress in Developing a System to Ensure the Proper Conduct of Subsidiaries)

Our subsidiaries have their own internal control systems established in accordance with the laws and regulations of the country where they are located and the decision-making rules of our group, and the state of their compliance with such systems is checked as required by the Audit Department of this company (Internal Audit Office and auditors), with a focus on important subsidiaries that are the subject of internal control evaluation in relation to financial reports.

### 2. Basic Views on Eliminating Anti-Social Forces and Present Status

Our stance of isolation from anti-social forces is stated in the *Baroque Japan Limited Action Guidelines*, and all executives and employees receive compliance training including how to block association with anti-social forces. As a result, all of our executives and employees understand the extreme importance of isolation from anti-social forces. We also have the *Anti-social Force Response Manual* and strongly maintain our policy of refusing any association with or interference from anti-social forces.

Our basic policy on isolating from anti-social forces is as follows.

(a) We refuse to have anything to do with anti-social forces, such as: a crime syndicate; a member of a crime syndicate; a quasi member of a crime syndicate; a company related to a crime syndicate; a corporate racketeer; a rogue person or a group proclaiming itself as social activists; an organized special intellectual crime group, or the like (hereinafter referred to as "anti-social forces").

(b) We shall take following measures to establish a system to eliminate anti-social forces.

- Designate a section that deals with matters regarding anti-social forces.
- Establish an information gathering and management system regarding anti-social forces.
- Establish a collaborative system with outside specialist organization.
- Formulate/update an Anti-social Force Response Manual.
- Introduce a crime syndicate elimination clause.
- Establish other systems necessary for eliminating anti-social forces.

(System)

The Human Resource and General Affairs Department is designated as the section that deals with matters regarding anti-social forces and carries out screening of business deals in relation to anti-social forces, and deals with and consults with police, *Tokuboren* (a federation of anti-violence organizations under the jurisdiction of the Tokyo Metropolitan Police Department), advisory attorneys and outside specialists.

(Screening of Anti-social Forces)

In our contracts with each business partner we endeavor to thoroughly screen out anti-social forces through the inclusion of an anti-social forces elimination clause. Furthermore, the Human Resource and General Affairs Department conducts screening of shareholders, new client, prospective executives and employees to see whether or not they fall in the category of anti-social forces (We check attributes and rumors/reports by searching articles in the Nikkei Telecom database and by using the search functions of the Internet.).

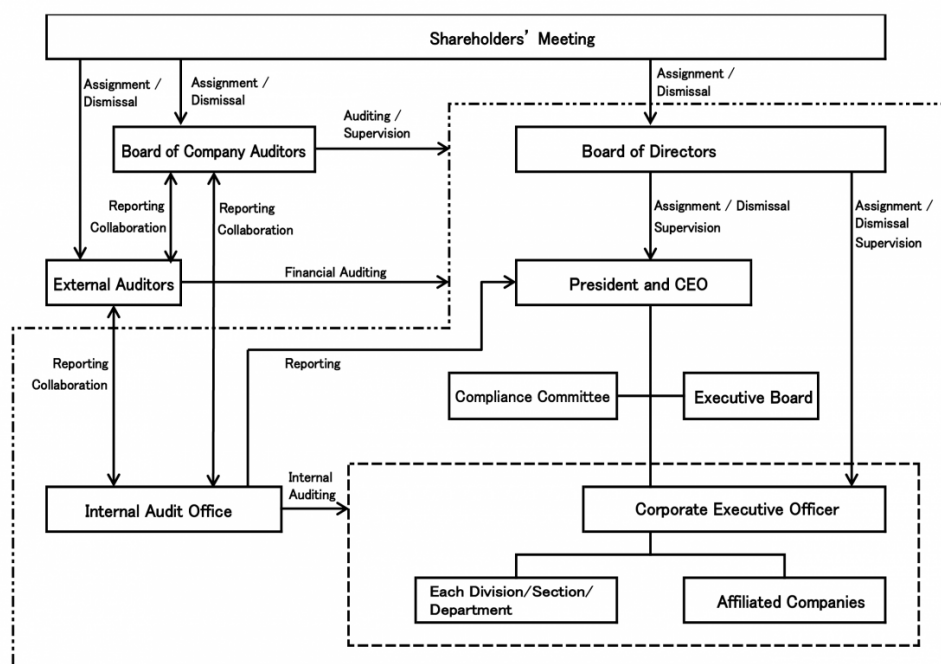
## 1. Adoption of Anti-Takeover Measures

Anti-Takeover Measures	None
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Supplementary Explanation

## 2. Other Matters regarding Corporate Governance Structure

【Corporate Governance System Overview (Diagram)】



【Outline of Timely Information Disclosure Structure】

