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(Translation)

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Hamamatsu Photonics K.K.

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Securities code: 6965

<https://www.hamamatsu.com/jp/ja/index.html>

Corporate governance at Hamamatsu Photonics K.K. (the “Company”) is as follows:

I. Basic policy on corporate governance and capital structure, business attributes and other basic information

1. Basic Policy

The Company will realize sustainable growth and medium-to long-term corporate value by realizing effective corporate governance, ensuring the transparency and soundness of corporate decision-making, and prompt and appropriate decision-making, while maintaining a good corporate culture that should contribute to the enhancement of the corporate value of our group in the future.

The corporate culture that forms the basis of our corporate governance is described below.

In order for our country to survive in the world, it is important to acquire knowledge and establish new industry by pursuing the unknown and unexplored for mankind. the Company should realize that there are boundless fields that are yet unknown and unexplored by mankind in which to establish new industries.

In addition, it is necessary for each employee to discover the things that only they can do, and to conduct technology development backed up by the knowledge, needs and competitive technologies necessary for building the photonics industry that the Company are working in. At the same time, it is necessary to take the attitude to seek out what is correct, both whole in mind and body.

In order to establish new industries, it is necessary to clearly communicate to our stakeholders the importance of new industries, and to encourage their correct understanding.

Companies are based on each employee’s behavior. Each employee must pursue the unknown and unexplored through improving themselves everyday through their work, absorbing new knowledge and communicating information accurately with having responsibility, duties and recognition. In addition, the Company must respect human rights and strictly abide by all relevant laws and international rules in letter and spirit. Moreover, the Company have to cultivate a corporate culture in which every employee act s ethically as a member of society.

Furthermore, the Company reject any relationship with groups or individuals which pursue economic interests by the use of force or fraudulent means, threaten social order and security such as organized criminal groups, or organized crime related enterprises and corporate racketeers in a resolution attitude.

The Company must grow and develop as a strong and trusted company, with each employee having a clear and high consciousness when following the Company’s corporate ethics and compliance.

The Company aim to contribute to society and human welfare by creating new industries through maintaining high ethical outlook each employee has and leveraging photonics technology.

[Reasons for non-compliance with the principles of the Corporate Governance Code]

[Supplement Principle 4.10.1]

The Company seek opinions from independent outside directors and obtain appropriate advice prior to the determination of director candidates. For this reason, The Company have not established an Advisory Committee as required by the Code, but the Company will continue to strengthen the independence, objectivity, and accountability of the functions of the Board of Directors.

[Disclosures required by the principles of the Corporate Governance Code][Updated]

[Principle 1.4. Cross-Shareholdings]

(1) Basic Policy on Cross-Shareholdings

With regard to Cross-Shareholdings, the Company's policy is to timely and appropriately judge risks

based on business benefits and the cost of capital, and to hold such shares to the minimum extent that they are judged to contribute to the sustainable growth of the Company and the enhancement of corporate value over the medium-to long-term. Each year, the Board of Directors examines the medium-to long-term economic rationality and future outlook for major Cross-Shareholdings, and decides on policies such as holding or selling shareholdings after discussing the significance and rationality of shareholdings.

(2) Basic Policy on the Exercise of Voting Rights

When exercising voting rights for Cross-Shareholdings, the Company make judgments from the viewpoint of whether such shareholdings will contribute to the enhancement of corporate value and the improvement of shareholder interests of the relevant company after thoroughly considering management policies, strategies, and the content of proposals.

[Principle 1.7. Transactions between Related Parties]

In accordance with the provisions of the Companies Act, the Company have approved and reported to the Board of Directors any conflict of interest transactions with related parties (such as our individual officers or other corporations whose representatives are our officers). In addition, the terms and conditions of such transactions are the same as those of business partners who do not have any other interests, and appropriate transactions are conducted.

[Principle 2.6. Functioning as an asset owner of corporate pensions]

The Pension Asset Management Committee, which includes individuals with accounting knowledge, meets twice a year (extraordinary meetings as necessary) to confirm the status of investment. Information collaboration is conducted between related parties inside and outside the Company to improve operational expertise.

The Company have also introduced a defined contribution corporate pension plan, which regularly shares information with operational management institutions and plans and implements education for employees.

[Principle 3.1. Enhancement of information disclosure]

(1) The photonics has become a basic technology that supports various industries, and the Company recognize that its market will continue to expand on a global scale. In order to respond flexibly and swiftly to the expansion of the photonics industry and changes in the business environment, the Company aim to build a sustainable and stable high-profit structure by aggressively investing in R&D and capital investment for growth under a medium-to long-term vision. the Company intend to maintain a high level of cash on hand so that the Company can flexibly invest in the medium to long term in a ever-changing business environment.

In addition, the Company believe that people, technology, and knowledge are the foundation of our management, and the Company base our efforts on a cumulative approach based on the front-line method.

(2) The Company will continue to maintain a good corporate culture that contributes to the enhancement of our corporate value while realizing effective corporate governance, ensuring transparency and soundness in corporate decision-making, achieving sustainable growth and enhancing corporate value over the medium to long term through prompt and appropriate decision-making.

(3) People, technology, and knowledge are the foundation of our management, and our medium-to long-term development and research efforts are based on a front-line approach. For this reason, the Company also require directors to achieve results from a medium-to long-term perspective rather than from a short-term perspective, and the Company believe that it is appropriate to base remuneration on fixed remuneration. On the other hand, in light of the fact that directors are obligated to respond to the entrustments made by shareholders, in January 2020 the Company decided to introduce stock-based remuneration (restricted stock remuneration) as a part of their remuneration with the aim of contributing to sustainable increases in corporate value from the same perspective as shareholders by promoting long-term, stable shareholdings by directors. The specific details of both fixed remuneration and stock remuneration are determined by the Board of Directors.

(4) The Board of Directors nominates candidates for management positions and directors and Audit & Supervisory Board members that are appropriate for the Company based on a comprehensive consideration of the Company's performance, achievements, insight and personality. Management based on medium-to long-term perspectives is the foundation. Specifically, the Company recommend Executive Officers and director candidates from the front lines and make decisions collectively on these candidates.

the Company determine candidates for Audit & Supervisory Board Members with the consent of the Audit & Supervisory Board, comprehensively taking into account their background, achievements, insight, and other factors.

(5) Reasons for designating candidates for director and Audit & Supervisory Board Member can be found in the Notice of Convocation of the General Meeting of Shareholders.

[Supplement Principle 4.1 ①]

The Company have established concrete board resolutions in the rules of the Board on matters that are required to be resolved by the Board of the Law and the Articles of Incorporation, the basic policy of management, and decisions on the execution of important operations, and have clarified the assignment of power and the system of responsibility for making decisions on other matters in the functional assignment table.

[Principle 4.9. Independence Criteria and Qualifications of Independent Outside Directors]

The Company appoint outside directors based on the independence standards established by the Tokyo Stock Exchange.

[Supplement Principle 4.11①]

The Company introduced an executive officer system in December 2020. As a result, the number of directors has been reduced. However, based on the balance of knowledge, experience and abilities in each business segment, the Board of Directors nominates candidates for directors and Audit & Supervisory Board Members suitable for us, taking into account the Company's performance, achievements, insight and personality to date.

[Supplement Principle 4.11②]

In order to fulfill their duties as directors or Audit & Supervisory Board Members of the Company, the number of directors and Audit & Supervisory Board Members who serve concurrently as officers of other listed companies is reasonable. In addition, the status of concurrent positions is disclosed in business reports, etc.

[Supplement Principle 4.11③]

The Board of Directors meets at least once a month and reports on and makes resolutions on important matters in accordance with the rules and regulations of the Board of Directors and the rules on the authority to perform duties. Matters for Consultation have also been introduced to facilitate lively discussions.

Since September 2016, the Board of Directors and Audit & Supervisory Board Members have conducted an evaluation questionnaire of our Board of Directors once a year. To enhance objectivity and transparency, we conducted an evaluation by a third-party organization in 2020. The results of the questionnaire are reported to the Board of Directors and, based on the results of the questionnaire, improvements are made to improve the effectiveness of the Board of Directors as necessary.

[Supplement Principle 4.14②]

We appoint persons who are capable of fulfilling the roles and responsibilities required of directors and Audit & Supervisory Board Members. On this basis, we appoint qualified individuals who understand our policies and business operations and have management skills. For external individuals, we occasionally explain the Company's history, business outline, and management philosophy in an effort to share our medium-to long-term direction.

In addition, each director and Audit & Supervisory Board Member is encouraged to provide various types of training, providing and mediating opportunities for such training, and supporting the costs of such training.

With regard to newly appointed directors, information is provided at the time of appointment regarding the requirements in this code and other responsibilities required as directors and Audit & Supervisory Board Members.

[Principle 5.1. Policy on Constructive Dialogue with Shareholders]

We actively respond to dialogue applications when we believe they contribute to enhancing our corporate value. In the event that we are unable to respond individually, we will engage in dialogue in proper ways as appropriate, taking into account cost-effectiveness, such as guidance for small meetings.

(1) Directors/executive officers who are responsible for constructive dialogue with shareholders are designated, and actual interviews are basically handled by the relevant directors/Executive Officers and other executive employees.

(2) Under the supervision of the director in charge, the relevant divisions work together, centered on the Investor Relations Office.

(3) Financial results briefings for interim and full-year financial results and briefings for individual investors are held as necessary.

(4) Opinions gained through dialogue are reported to the management team, including the representative directors, as appropriate.

(5) We conduct IR after paying close attention to insider information. From the day after each quarterly settlement of accounts to the date of announcement of financial results, the period is the "silent period."

2. Capital Structure

Percentage of Shares Held by Foreign Investors	More than 30%
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[Description of Major Shareholders] [Updated]

Name of Shareholders	Number of Shares Held (Shares)	Ownership Interest (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	14,871,600	9.59
Toyota Motor Corporation	8,400,000	5.42
Custody Bank of Japan, Ltd. (Trust Account)	6,617,800	4.27
Custody Bank of Japan, Ltd. (Trust Account 9)	4,672,600	3.01
Hamamatsu Photonics K.K. employees	4,453,261	2.87
JP Morgan Chase Bank 385632	3,878,952	2.50
The Nomura Trust and Banking Co., Ltd. (Investment Trust)	3,734,200	2.41
SSBTC Client Omnibus Account	3,126,301	2.02
Custody Bank of Japan, Ltd. (Trust Account 5)	2,990,100	1.93
State Street Bank West Client - Treaty 505234	2,195,387	1.42

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

Special note for description of major shareholders [Updated]

1 Major shareholders are as of September 30, 2020.

2 We held 9,945,372 shares of treasury stock as of September 30, 2020, which is not included in the list of major shareholders.

3 BlackRock Japan Co., Ltd. and its six joint holders submitted a report of large shareholdings dated June 6, 2018 (reporting obligation occurring on May 31, 2018) and reported that they owned 8,559,066 shares as of May 31, 2018. We are unable to confirm the number of shares beneficially owned as of September 30, 2020, and are therefore not included in the above list of major shareholders.

4 Capital Research and Management Company and its four joint holders submitted a report of large shareholdings dated November 8, 2019 (reporting obligation occurring on Oct. 31, 2019) and reported that they owned 11,193,471 shares as of Oct. 31, 2019. We are unable to confirm the number of shares beneficially owned as of September 30, 2020, and are therefore not included in the above list of major shareholders.

5 T.ROW PRICE JAPAN CO., LTD. and one of its joint holders submitted a report of large shareholdings dated February 21, 2020 (reporting obligation occurring on February 14, 2020) and reported that they owned 10,411,200 shares as of February 14, 2020. We are unable to confirm the number of shares beneficially owned as of September 30, 2020, and are therefore not included in the above list of major shareholders.

3. Business Attributes

Stock exchange and section	Tokyo:1st Section
Fiscal year end	End of September
Sector	Electric Appliances
Number of employees at the most current end of fiscal year (consolidated)	Greater than 1000 persons
Net sales (consolidated)	100 billion yen to less than 1 trillion yen
Number of consolidated subsidiaries at the most current end of fiscal year	More than 10 companies and less than 50 companies

4. Guidelines for measures to protect minority shareholders in the event of transactions with controlling shareholders

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5. Other particular conditions that may materially affect corporate governance

Not applicable.

II Corporate governance system of management business organization, etc. for management decision making, execution of duties and management audit

1. Organization structures and organizational operations

Organizational form	Company with Audit & Supervisory Board Member
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【Directors】

Number of directors stipulated in articles of incorporation	20 persons
Director's term of office stipulated in articles of incorporation	2 year
Chairman of the Board of Directors	Representative director
Number of directors <u>Updated</u>	11 persons
Election of outside directors	Elected
Number of outside directors <u>Updated</u>	3 persons
Number of independent directors out of outside directors <u>Updated</u>	3 persons

Relation with the Company (1) Updated

Name	Attribution	Relationship with the Company※											
		a	b	c	d	e	f	g	h	i	j	k	
Kashiko Kodate	Academic												○
Ken Koibuchi	From another company								○				
Kazue Kurihara	Academic												○

※ Categories for “Relationship with the Company”

※ “○” when the person presently falls or has recently fallen under the category;

“△” when the person fell under the category in the past

※ “●” when a close relative of the person presently falls or has recently fallen under the category;

“▲” when a close relative of the person fell under the category in the past

- a Person who executes business of the Company or a subsidiary
- b Person who executes business or a non-executive director of a parent company
- c Person who executes business of a fellow subsidiary
- d Person/entity for which the Company is a major client or a person who executes business for such person/entity
- e Major client of the Company or a person who executes business for such client
- f Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/auditor compensation from the Company
- g Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- h Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above)
- i Person who executes business for another company holding cross-directorships/cross-auditorships with the Company
- j Person who executes business for an entity receiving contributions from the Company
- k Others

Name	Independent directors / auditors	Supplementary information	Reasons for appointment
Kashiko Kodate	○	Ms. Kashiko Kodate is a professor emeritus at Japan Women's University, with which the Company have transactions. There is no special interest between the Company and Japan Women's University.	Ms. Kashiko Kodate has experience over many years as a university professor and extensive expertise in sectors such as information photonics. In addition, she possesses experience as a business manager. The Company have appointed her as an outside director in order to further strengthen by utilizing her broad experience and various discernments to provide well-informed advice from an independent standpoint. The Company have determined that she meets the requirements for independence of independent officers stipulated by the Tokyo Stock Exchange and that there is no risk of conflicts of interest with our general shareholders. Accordingly, the Company have designated her as an independent officer.
Ken Koibuchi	○	Mr. Ken Koibuchi is Field General Manager, Advanced Safety System Field, Advanced R&D and Engineering Company, Toyota Motor Corporation, with which the Company have transactions. The Company have transactional relationships with Toyota Motor Corporation including sales of electronic devices, but the scale of transactions with this company is insignificant. Therefore, the Company have judged that this presents no issues to his independence.	The Company have appointed Mr. Ken Koibuchi as an outside director in order to further strengthen our management system by providing accurate advice based on his wealth of knowledge and experience gained through his many years of service at Toyota Motor Corporation, a global company. The Company have determined that he meets the requirements for independence of independent officers stipulated by the Tokyo Stock Exchange and that there is no risk of conflicts of interest with our general shareholders. Accordingly, the Company have designated him as an independent officer.
Kazue Kurihara	○	Ms. Kazue Kurihara is a professor emeritus at Tohoku University, with which the Company have transactions. There is no special interest between Tohoku University.	Ms. Kazue Kurihara has experience over many years as a university professor and extensive expertise in the scientific technology field. In addition, she has many achievements in

			<p>collaboration with private companies through industry-academia partnerships. Based on her ample knowledge and experience, the Company expect her to provide well-informed advice from an independent standpoint, which will contribute to further strength our management system. Therefore, The Company have appointed her as an outside director.</p> <p>The Company have determined that she meets the requirements for independence of independent officers stipulated by the Tokyo Stock Exchange and that there is no risk of conflicts of interest with our general shareholders. Accordingly, the Company have designated her as an independent officer.</p>
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Committee corresponding to nominating committee or compensation committee	None
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【Audit & Supervisory Board Members】

Establishment or non-establishment of an Audit & Supervisory Board	Established
Number of Audit & Supervisory Board Members stipulated in articles of incorporation	5 persons
Number of Audit & Supervisory Board Members	4 persons

Cooperative relationships among Audit & Supervisory Board Members, independent accountants and Internal Audit Division Updated

In the fiscal year ending September 2020, Audit & Supervisory Board Members have held 14 meetings with the Independent Auditor to exchange information on audit plans, audit reports and audit status among other things in order to improve the efficiency of our audits.

Election or non-election of outside Audit & Supervisory Board Members	Elected
Number of outside Audit & Supervisory Board Members	2 persons
Number of independent Audit & Supervisory Board Members out of outside Audit & Supervisory Board Members	2 persons

Relation with the Company (1) Updated

Name	Attribution	Relation with the Company※													
		a	b	c	d	e	f	g	h	i	j	k	l	m	
Yuji Maki	From another company											△			
Muneo Kurauchi	From another company											△			

- ※ Categories for “Relationship with the Company”
- ※ “○” when the person presently falls or has recently fallen under the category;
- “△” when the person fell under the category in the past
- ※ “●” when a close relative of the person presently falls or has recently fallen under the category;
- “▲” when a close relative of the person fell under the category in the past

- a Person who executes business of the Company or a subsidiary
- b Non-executive director or an accounting advisor of the Company or a subsidiary
- c Person who executes business or a non-executive director of a parent company
- d An Audit & Supervisory Board Member of a parent company
- e Person who executes business of a fellow subsidiary
- f Person/entity for which the Company is a major client or a person who executes business for such person/entity
- g Major client of the Company or a person who executes business for such client
- h Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/auditor compensation from the Company
- i Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- j Person who executes business for a client of the Company (excluding persons categorized as any of f, g, or h above)
- k Person who executes business for another company holding cross-directorships/cross-auditorships with the Company
- l Person who executes business for an entity receiving contributions from the Company
- m Others

Relation with the Company (2)	Updated
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Name	Independent directors / auditors	Supplementary information	Reasons for appointment
Yuji Maki	○	Mr. Yuji Maki is a commission employee of Toyota Motor Corporation, with which the Company have transactions. The Company have transactional relationships with Toyota Motor Corporation including sales of electronic devices, but the scale of transactions with this company is insignificant. Therefore, the Company have judged that this presents no issues to his independence.	Mr. Yuji Maki has accumulated a wealth of business experience and knowledge through his many years of working at Toyota Motor Corporation. In order to have this knowledge and experience reflected in the Company’s audits, The Company have appointed him as an Outside Audit & Supervisory Board Member. The Company has determined that he meets the requirements for independence of independent officers stipulated by the Tokyo Stock Exchange and that there is no risk of conflicts of interest with our general shareholders. Accordingly, the Company have designated him as an independent officer.
Muneo Kurauchi	○	Mr. Muneo Kurauchi held the positions of Managing Executive Officer and Senior Managing Executive Officer at The Bank of	The Company has appointed Mr. Muneo Kurauchi as an Outside Audit & Supervisory Board Member in order to have

		Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.). Currently, the Company have loans with MUFG Bank, Ltd. However, he retired from his position of Senior Managing Executive Officer for that bank in June 2014 and the scale of loans with that bank is insignificant. Therefore, the Company have judged that this presents no issues to his independence.	his many years of experience in financial institutions and extensive knowledge of finance among other things, reflected in the Company's audits. The Company have determined that he meets the requirements for independence of independent officers stipulated by the Tokyo Stock Exchange and that there is no risk of conflicts of interest with our general shareholders. Accordingly, the Company have designated him as an independent officer.
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【independent directors / auditors】

Number of independent directors / auditors Updated	5 person
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Other notes regarding independent directors / auditors
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The Company designate all outside officers as independent directors / auditors

【Incentives】

Implementation of measures on incentive allotment to directors	Other
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Supplementary information

On January 17, 2020, the Company issued stock-based remuneration (restricted stock remuneration) as part of the remuneration for directors. This will provide them an incentive to sustainably increase the Company's corporate value and to further promote shared value between our shareholders and them.

Grantees of stock options	
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Supplementary information

【Director's Remuneration】

Disclosure of directors' remuneration	No Individual Disclosure
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Supplementary information Updated

- Directors (excluding Outside Directors)
11 person JPY419million (Fixed Remuneration: JPY347million, Remuneration for Granting Restricted Stock : JPY 347million)
- Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)
2 person JPY38million (Fixed Remuneration: JPY38million)
- Outside Directors and Outside Audit & Supervisory Board Members
4 person JPY 23million (Fixed Remuneration: JPY 23million)

Existence of methods to determine remuneration or	Established
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remuneration policies	
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Disclosure of methods to determine remuneration or remuneration policies
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The Company have established a policy for determining the amount of remuneration for directors/ Audit & Supervisory Board Members or the method of calculating such remuneration. The remuneration for directors is determined by a resolution of the Board of Directors, including Outside Directors, within the remuneration limit decided at the general meeting of shareholders. The remuneration for Audit & Supervisory Board Members is determined by a consultation at the Audit & Supervisory Board.

The Company pursue the unknown where no one has yet explored. By leveraging photonics technology to establish new industries and reach for the world's highest levels of manufacturing excellence, we build enterprise value and contribute to the development of science and technology. However, fraction of the nature of light in which the Company is involved has only partially been elucidated, and we ask our directors and employees to explore areas that have not yet been elucidated, and to seek possibilities for application based on the new knowledge that emerges from these areas. Based on the ideas described above, the Company requires directors to strive forward with a medium- to long-term perspective, rather than merely with a short-term perspective. We see it appropriate to put fixed remuneration at the base of the Company's remuneration scheme for directors. On the other hand, in light of the fact that directors are obligated to respond to the entrustments made by shareholders, in January 2020 the Company decided to introduce stock-based remuneration (restricted stock remuneration) with the aim of encouraging directors to hold the Company's stock on a long-term, stable basis, with the intention that they share the same perspectives as our shareholders and contribute to the sustainable improvement of corporate value. As a result, the remuneration to our directors (only outside directors) is composed of fixed remuneration and stock-based remuneration. The amount of remuneration paid to directors shall be determined and paid by the Board of Directors, including Outside Directors, at a fixed monthly remuneration determined in accordance with their position. In addition, stock-based remuneration is set at generally 15% of the total amount of director remuneration. Remuneration for outside directors and outside Audit & Supervisory Board Members shall be paid only for fixed remuneration.

The amount of remuneration for Directors was approved at a monthly amount of up to JPY55 million (including a monthly amount of up to JPY3 million for Outside Directors) by a resolution of the 70th Ordinary General Meeting of Shareholders convened on December 22, 2017. In addition, a resolution of the Ordinary General Meeting of Shareholders held on December 20, 2019 introduced restricted stock remuneration for our directors, which is set at an annual amount of up to JPY200 million. The amount of remuneration for Audit & Supervisory Board members was approved at a monthly amount of up to JPY6 million by a resolution of the Ordinary General Meeting of Shareholders held on December 20, 2012.

【Support system for outside directors (outside Audit & Supervisory Board Members)】

In order to establish a system for communicating information to outside directors and outside Audit & Supervisory Board members, the Company clarify the contact point in charge. In addition, the Company disclose the annual scheduled of important meetings, such as those of the Board of Directors, and sent the materials (resolutions) of the Board of Directors to them in advance. By these, the Company provides necessary information and provides opportunities for explanations as appropriate.

【Retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)】

Information on retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)
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Name	Job title/position	Responsibilities	Employment terms (Full/part time, with/without	Date when former role as president/CEO ended	Term

			compensation, etc.)		
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Number of retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)	---
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Others

There is a system of advisory position (soudanyaku, komon etc.), but at present no person has resigned from the position of former representative director and president among other positions.

2. Matters pertaining to functions relating to the execution of duties, audit and supervision, appointment and decisions regarding remuneration, etc (overview of the current corporate governance system))

Updated

(1) Overview of the current corporate governance system

The Company have adapted the Audit & Supervisory Board Member system, which includes the Board of Directors and the Audit & Supervisory Board stipulated in the Companies Act as organs of the Company. We have been enhanced our management supervisory functions by appointing outside directors and outside Audit & Supervisory Board Members. Furthermore, we have established the Board of Executive Officers to separate the business execution function from the Board of Directors, which is responsible to management decision-making and supervision body. Through this measure, we aim to speed up and streamline management decision-making and strengthen supervisory functions.

①Directors and the Board of Directors

The Board of Directors meets once a month and on an as-needed basis. In addition to making decisions on basic management policies and important matters related to management, the Board of Directors receives reports from Executive Officers and supervises the execution of business by Executive Officers.

②Audit & Supervisory Board Members, the Audit & Supervisory Board, and the Internal Audit System

The Company have adopted the Audit & Supervisory Board Member system, and the Audit & Supervisory Board (convened 7 meetings in the fiscal year ending September 2020) has an auditing system in which two of the four Audit & Supervisory Board Members are outside Audit & Supervisory Board Members at present. In accordance with the auditing policies and implementation plans established by the Audit & Supervisory Board, each Audit & Supervisory Board Member attends monthly meetings of the Board of Directors and important internal meetings, to ascertain the status of management execution, and audits directors' execution of duties by listening to the status of business execution from the executive divisions. In addition, Audit & Supervisory Board Members meets with the Independent Auditor, regularly or on an as-needed basis (convened 14 meetings in the fiscal year ending September 2020), to exchange information.

Furthermore, the Company have established The Internal Audit Division (one person) to audit the business processes and overall operations of each division and group company in an appropriate and efficient manner in accordance with laws, regulations, and in-house regulations. The Internal Audit Department strives to improve auditing efficiency by exchanging opinions with standing Audit & Supervisory Board Members and the Independent Auditor as necessary based on the annual plan approved by the president. The results of these audits are reported to the president, the Board of Executive Officers, and related divisions.

③Executive Officers and the Board of Executive Officers

The Company have adopted an Executive Officer System, and the Board of Executive Officers regularly holds meetings, which directors, standing Audit & Supervisory Board Members, and Executive Officers attend, in accordance with the regulations of the Board of Executive Officers. The Board of Executive Officers examines basic matters and important matters related to business execution from multiple perspectives and shares information with directors and Executive Officers. In addition, we have established a system to realize speedy corporate management by delegating decisions on business

execution to the Executive Committee to the maximum extent possible. We also communicate information to other employees through various other meetings.

④ Cooperation between Outside Directors, Outside Audit & Supervisory Board members, Internal Audit Division, Accounting Auditors, and Internal Audit & Control Division

Outside directors strengthen their management supervisory functions by expressing opinions at meetings of the Board of Directors, exchanging information or opinions with other directors.

Outside Audit & Supervisory Board Members receives explanations and reports on the content of audits by other Audit & Supervisory Board Members and Internal Audits & Control Division at the Audit & Supervisory Board. The Audit & Supervisory Board Members cooperate with the Independent Auditor by receiving reports on the Company's auditing policies and the results of audits. In addition to the above, we have been strengthened our supervisory functions, through exchanging information and opinions as needed.

Moreover, the Audit & Supervisory Board sends comments on the proposals of the Board of Directors to outside directors in advance. Through the exchange of opinions with them, The Audit & Supervisory Board further strengthens their supervisory function of management.

(2) Summary of contents of agreements to limit liability

Based on the Articles of Incorporation, the Company have entered Agreement Limiting Liability between the Company and each outside director and outside Audit & Supervisory Board Member regarding the obligations set in Article 423 paragraph (1) of the Companies Act, to limit their obligation to the minimum allowance set by Article 425 paragraph (1) of the Companies Act. Such limitation of liability is permitted only when such outside director or outside Audit & Supervisory Board Member is in good faith and is not grossly negligent in performing his/her duties for which he/she was responsible.

3. Reason for adopting the current corporate governance system

The Company consider that by creating new industries through photonics technology based on the existing auditor system and maintaining high ethical standards for each and every officer/employee, together with the high aspiration to contribute to society and mankind, we can realize a system that continuously ensures sound management, legal compliance and transparency,

III. Implementation of measures for shareholders and other stakeholders

1. Status of implementation of measures for revitalization of the shareholders' meeting and smoothing of the execution of voting rights [Updated]

	Supplementary information
Early dispatch of notice of shareholders' meeting	At the Ordinary General Meeting of Shareholders for FY9/20, the Company sent out a notice of convocation for the General Meeting of Shareholders (held on December 18) on November 26. The notice was sent more than three weeks before the date of the Ordinary General Meeting of Shareholders, and the disclosure on the Internet was made on November 25 to consider the exercise of investors' voting rights.
Scheduling of shareholders' meeting away from 'concentrated days'	Because the Company have a fiscal year ending in September and holds the General Meeting of Shareholders in December, the Company is originally not aware of the "concentration date." In addition, as it is the end of the year, the Company holds a General Meeting of Shareholders as much as possible around December 20.
Electronic execution of voting rights	From the Ordinary General Meeting of Shareholders for FY9/06, the Company have allowed electronic exercise of voting rights.
Participation in electronic voting platforms and other activities to improve voting environment for institutional investors	The Company have been participating in the electronic voting platform since the Ordinary General Meeting of Shareholders for FY9/06.
Availability of English translation of general shareholders meeting notice	From the Ordinary General Meeting of Shareholders for FY9/10, the Company have prepared English version of the convocation notice (summary edition) and have disclosed it to its website, as well as providing it to institutional investors via platforms. From the Ordinary General Meeting of Shareholders for FY9/13, the Company have expanded the scope of its English translation and translated business reports and consolidated calculation documents into English. In addition, from the Ordinary General Meeting of Shareholders for FY9/14, the Company have translated non-consolidated financial statements into English. At present, the scope of English translation is substantially equivalent to Japanese texts.

2. IR activities

	Supplementary information	Explanation by representative members of the board
Convene periodic briefing for individual investors	The Company participate in briefings for individual investors sponsored by securities companies, etc.	No
Convene periodic briefing for analysts and institutional investors	Financial results briefings are held once every six months, and individual visits to institutional investors and small meetings are held as needed.	Yes
Convene periodic briefing for foreign investors	The Company participate in domestic conferences for overseas institutional investors and small meetings.	Yes
Disclosure of IR documents on the website	Materials distributed at the regular briefing are posted on the Company's website.	

IR related divisions (personnel)	The Company has established the Investor Relations Office and is engaged in IR activities mainly in this department.
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3. Activities concerning respect for stakeholders

	Supplementary information
Setting forth provisions in the internal regulations concerning respect for the stakeholders' position	The Company has formulated the Fundamental CSR policy, disseminated it within the Company, and made it available on its website.
Promotion of environmental preservation activities and CSR activities	The Company has formulated the Fundamental CSR policy, which is available on its website. As a company that contributes to society through optical technology, the Company recognizes that harmony with the environment, society, and the economy is the most important issue. The Company aims to realize a sustainable society for a future in which the earth, people, and all lives coexist in an optimal balance. Our environmental and CSR initiatives are available on its website.

IV Matters regarding internal control system

1. Basic approach to internal control system and its development Updated

[Basic Policy on Company-wide Efforts for Corporate Management]

The Company's basic policies for company-wide initiatives as a corporate management are as follows. Based on these basic policies, the Board of Directors has resolved on the basic approach to internal control system and its development.

- The Company's business is carried out based on the conduct of its employees. Therefore we will strive to foster each individual and create an organization that will grow and develop as a sound, trusted company.
 - Each individual must study through their daily work, and foster a corporate culture to engage in absorption of new knowledge, correct communication of information and correct conduct, with a sense of responsibility, duty, and awareness.
- (1) System to ensure the execution of the Board of Directors' duties complies with laws and regulations and the Articles of Incorporation
 1. The Company strives to clarify its basic approach concerning corporate ethics and compliance, and ensure all employees are well-acquainted with the Company's thinking.
 2. Apart from the Board of Directors, the Company has established the Executive Officers meeting to speed up management decision-making and separate executive and supervisory functions.
 3. The Company strengthens the supervisory function of the Board of Directors by reporting the resolutions of the Executive Officers meeting to the Board of Directors.
 - (2) System for retaining and managing information concerning the execution of Directors' duties (Article 100 paragraph (1) item (i) of Regulation for Enforcement of the Companies Act)
 1. The Company prepares and retains minutes of the Board of Directors meeting, Executive Officers meeting, and other important meetings.
 2. Information will be computerized and retained in an easy to inspect format.
 - (3) Rules and other systems related to management of loss risks (Article 100 paragraph (1) item (ii) of Regulation for Enforcement of the Companies Act)

The Company will establish respective divisions responsible for risks related to information security, quality, environment, disasters, export control, etc., and these divisions prepare rules and guidelines concerning such risks, and conduct training and education.
 - (4) Systems to ensure the execution of Directors' duties is performed efficiently, and systems to ensure the execution of employees' duties complies with laws and regulations and the Articles of Incorporation (Article 100 paragraph (1) item (iii) and (iv) of Regulation for Enforcement of the Companies Act)
 1. Under the rules of the Board of Directors, The Company holds regular meetings of the Board of Directors once a month to make decisions on important matters and receive reports from the

Executive Officers to supervise the status of business execution. In addition, the Executive Officer system separates management decision-making from business execution, enabling swift and flexible decision-making, while revitalizing the Board of Directors and strengthening management oversight functions.

2. The Company holds regular meetings of the Board of Executive Officers attended by the Directors, the Executive Officers and Audit & Supervisory Board Members to review and resolve matters delegated by the Board of Directors. In addition, Board of Executive Officers, which is affiliated with the Board of Executive Officers, is attended by General Managers class and higher, and examines basic and important matters related to business execution from a variety of perspectives, and directly explains and directs them to the relevant parties. In this way, the Company aims to expedite and improve the efficiency of business execution and to share information among Directors and Executive employees. Furthermore, Information is also communicated to other employees through other meetings.
 3. The Company will prepare the organization regulations, division of duties provisions, and administrative authority provisions, and clarify responsibilities and authorities.
 4. To understand budget execution status and operating results trends, the Company will establish a Budget Committee to study progress reports and actions to be taken.
 5. The Company will conduct training to improve areas such as the safety and health of employees and compliance awareness at the time when individuals join the Company and when individuals are appointed to management positions, and continually after that.
 6. The Company will prepare a system for responding accurately, and on a timely basis, to disclosures of inside information.
 7. The Company will prepare various guidelines based on the Personal Information Management Guidelines to address the management of personal information.
 8. The Company will clarify the basic policy for eliminating anti-social forces, and thoroughly acquaint all employees with it.
 9. Based on the Internal Controls and Audit Provisions, the Company will prepare the internal control systems necessary to ensure the appropriateness of financial reporting.
- (5) Systems to ensure appropriate business operations in our Group (meaning the Company and consolidated subsidiaries)
1. For domestic and foreign consolidated subsidiaries, the Company will establish a management division responsible for ensuring appropriate operations while respecting, as a rule, each company's autonomy. The Company will respond as follows based on the size and business of consolidated subsidiaries.
 - a) At domestic consolidated subsidiaries, the Company executes operations in accordance with the Company's policy and monitors the execution of operations by dispatching Directors or Executive Officers of the Company to serve as Directors of these subsidiaries. In addition, the Company strives to avoid risks by dispatching Directors or Executive employees of the Company to serve as Audit & Supervisory Board Members.
 - b) In addition to a) above, at overseas consolidated subsidiaries, the Company periodically bring together responsible individuals of the overseas consolidated subsidiaries for reporting and conferring, to build a consensus about the management. In addition, the Company dispatches or seconds responsible individuals to subsidiaries in order to collect information as necessary.
 2. Domestic and foreign consolidated subsidiaries shall regularly report on their operating results etc. to the Company, and if necessary the Company shall convene a liaison meeting to encourage communication, in order to promote cooperation within our Group.
 3. The Company will address the risks at domestic and foreign consolidated subsidiaries by sharing risk information corresponding to size and business category, preparing and disseminating various provisions, and implementing training and education, with using the responsible division of the Company as a contact.
 4. The Company will formulate a consolidated earnings plan while sharing information between the Company and consolidated subsidiaries.
 5. The Company will make the Fundamental CSR Policy and the Corporate Code of Conduct known to consolidated subsidiaries, with the goal of improving compliance within our Group.
- (6) Matters concerning employees to be appointed when the Audit & Supervisory Board Members have requested that employees be assigned to assist their duties (Article 100 paragraph (3) item(i) of

Regulation for Enforcement of the Companies Act)

If the Audit & Supervisory Board Members have requested staff to assist an audit, the Company will appoint individuals from among its employees based on the Audit & Supervisory Board request about the number and the abilities of staff.

- (7) Matters concerning ensuring the independence of the employees in the preceding paragraph from the Directors and ensuring the effectiveness of instructions to said employees
As dedicated staff to assist the Audit & Supervisory Board, the relevant employees must act solely in accordance with the standards set by the Audit & Supervisory Board, and must follow the Audit & Supervisory Board Members' instructions and orders. Furthermore, they are not to serve concurrently in an office related to the execution of operations or as employees in other divisions.
- (8) System for Directors and employees of our Group to report to Audit & Supervisory Board Members, and system concerning other reports to Audit & Supervisory Board Members
When Directors, Executive Officers and employees (including Directors, Audit & Supervisory Board Members, and employees of consolidated subsidiaries) are requested to report on matters concerning the execution of operations by Audit & Supervisory Board Members of the Company, they will make an appropriate report promptly.
Furthermore, as soon as they have discovered any facts that might cause a significant loss to our Group, including acts that will violate laws and regulations or the Company's Articles of Incorporation, they shall make a report immediately to an Audit & Supervisory Board Member, or to the Audit & Supervisory Board.
- (9) System to ensure individuals who have made a report under the preceding paragraph are not subjected to disadvantageous treatment because they made said report
The Company will not subject a Director or employee of our Group who made a report to an Audit & Supervisory Board Member to disadvantageous treatment because they made said report.
- (10) Matters concerning the policy with respect to the procedure for advances or reimbursements of expenses incurred with respect to the execution of an Audit & Supervisory Board Member's duties or other processing of expenses or debts incurred with respect to the execution of said duties
When an Audit & Supervisory Board Member has submitted a request for advance payment of expenses with respect to the execution of duties based on Article 388 of the Companies Act, the Company will process said expenses or debts promptly except when it has determined, based on discussions with the responsible division, that the expenses or debts with respect to the relevant payment request were not necessary for execution of said Audit & Supervisory Board Member's duties.
- (11) Other systems to ensure that audits by Audit & Supervisory Board Member are conducted effectively
The Company will ensure that the Audit & Supervisory Board Members will conduct effective audit activities for operating audits and accounting audits, based on a system of appropriate reports from parties such as the Independent Auditor, the Internal Audit & Control Division, the Internal Audit Division, subsidiaries' Directors and Audit & Supervisory Board Members and the audit assistance staff, as well as coordination and information sharing with them.

See the reference material [diagram] : attachment at the end of the document

[Operation status of the systems for ensuring appropriate business operations]

(1) Execution of Directors' duties

For the purpose of maintaining and improving the effectiveness of the Board of Directors, the Company has continually conducted evaluations of the Board of Directors in the form of questionnaire based on self-assessment by the Directors and Audit & Supervisory Board Members. Based on the results of these evaluations, the Company changes the steering policy of the Board of Directors as necessary. In addition, the Company has formulated a basic policy concerning corporate governance in which it identified the management philosophy, and has disclosed it on the Company's website to make known not only to the employees but also to various stakeholders.

As part of our corporate governance activities, Directors and Audit & Supervisory Board Members are provided with officer training programs as appropriate. During this fiscal year, newly appointed Directors were offered opportunities to attend external seminars. We also created opportunities for

Directors to exchange ideas regarding current business development and topics and the medium- to long-term direction of the Company.

The Company has also made its basic thinking concerning corporate ethics and compliance, its Fundamental CSR Policy and its Corporate Code of Conduct known to employees by posting this information on its intranet website and through various educational efforts. In August 2017, the Company became a signatory to the UN Global Compact and declared its support for its 10 principles. In this fiscal year, The Company has been recognized under the 2020 Certified Health & Productivity Management Outstanding Organizations Recognition Program (large enterprise category) “White 500,” for the third consecutive year. The Company will continue to implement policies to enable all employees to balance work and family and to continue working actively on a long-term basis.

On the other hand, the Company holds the Executive Officers meeting attended by the Directors, the Executive Officers, Audit & Supervisory Board Members and other managers once every week under the Executive Officers meeting Provisions to conduct multifaceted studies of basic matters and important issues regarding the execution of operations and from time to time prepares reports and studies on various issues. This committee prepares and retains all the Executive Officers meeting minutes.

(2) Management of loss risk

The Company has formulated a business continuity plan, which it continuously revises through means such as training, to prepare for disasters such as earthquakes. It also has strengthened its risk management system for overseas business travel. Training with regard to other risks related to information security, quality, environment, disasters and export control, etc., is implemented by each responsible division.

(3) Execution of employees’ duties

The Company holds the Executive Officers meeting once every week and communicates information through various discussions, including our Group’s management policies and conformity with our corporate culture to Executive employees. Also, in the Executive Officers meeting, the Company reviews and resolves matters delegated by the Board of Directors. In addition, the Company holds a meeting of its employees holding the managerial position regularly, where together with giving reports from the management side which seeks to deliver and share information in their own words.

The Company has also prepared rules and provided education to prevent research activity misconduct and the improper use of public research funds.

(4) Ensuring proper operations in our Group

To ensure the propriety of operations, including those of consolidated subsidiaries, the Company works to identify the administrative authority including those of consolidated subsidiaries, create risk management systems for our entire Group and achieve thorough compliance with laws and regulations. Furthermore, in addition to dispatching or seconding executives to consolidated subsidiaries, for domestic consolidated subsidiaries the Company exchanges information monthly if necessary, and for overseas consolidated subsidiaries implements meetings where all managers attend.

The Company and its consolidated subsidiaries have established appropriate management systems in order to ensure compliance with the General Data Protection Regulation (GDPR) which came into effect in 2018.

(5) Systems to ensure audits and supervision are conducted effectively

To improve the effectiveness of audits by the Audit & Supervisory Board Members, if necessary the Company confers beforehand with the Audit & Supervisory Board Members concerning the contents of materials to be submitted to the Board of Directors meeting. Furthermore, to improve the effectiveness of audits and supervision by the Outside Directors and Outside Audit & Supervisory Board Members, the Company creates an opportunity to provide and explain the necessary information by sending beforehand the materials related to matters to be resolved at the regular Board of Directors meeting. The Internal Audit Division, which is directly controlled by the Representative Director and President, conducts internal audits, reports the results of those audits to the Representative Director and President in a timely manner, and also reports them to the Board of Executive Officers.

2. Basic policy to reject antisocial forces and the progress of development

The Company rejects any relationship with groups or individuals which pursue economic interests by

the use of force or fraudulent means, threaten social order and security such as organized criminal groups, or organized crime related enterprises and corporate racketeers in a resolution attitude. The Company must grow and develop as a strong and trusted company, with each employee having a clear and high consciousness when following the Company's corporate ethics and compliance.

V Others

1. Introducing takeover defense measures

Introducing takeover defense measures	None
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Supplementary information

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2. Matters regarding other corporate governance systems, etc

The status of the Company's internal system for timely disclosure of corporate information is as follows.

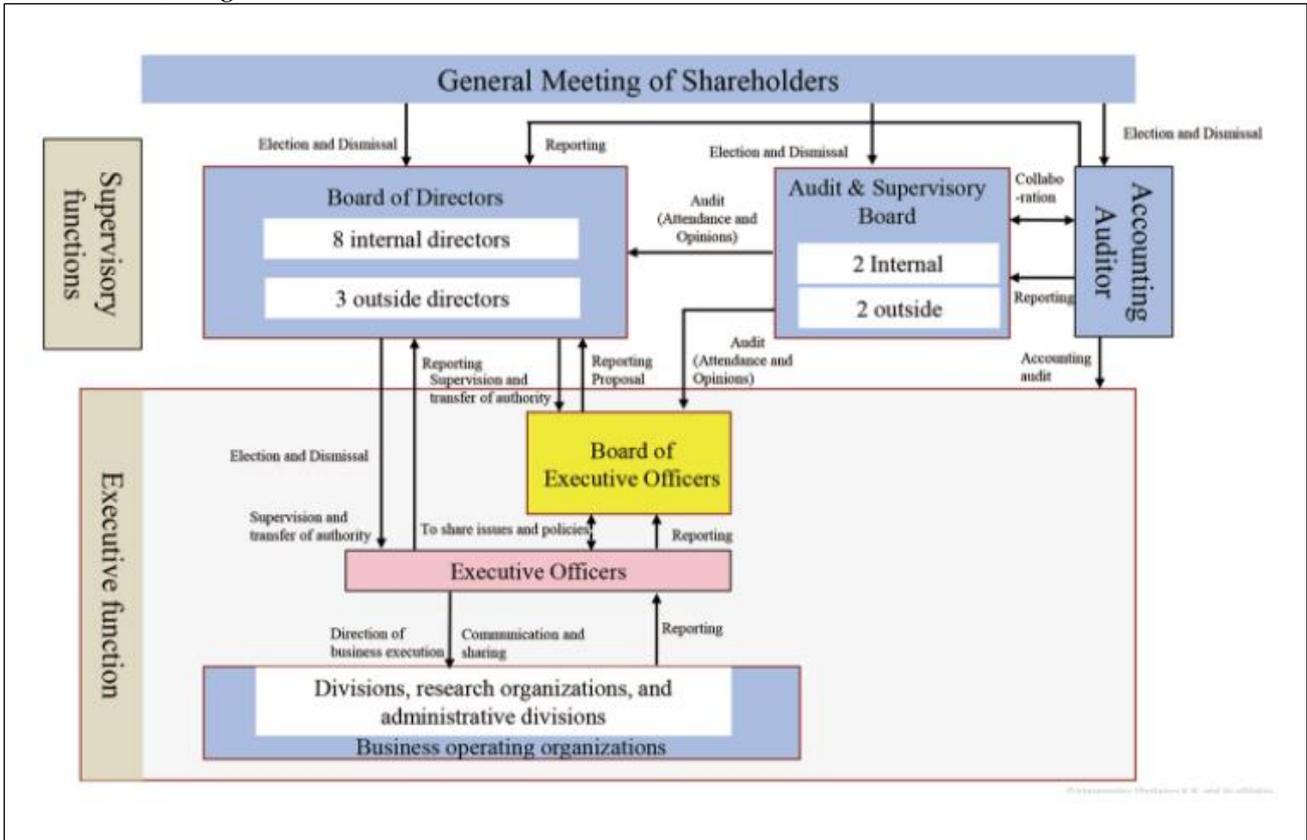
1.

In order to disclose corporate information that should be disclosed in a timely manner without omission, the Company collaborates with each department and has an internal system in place to unify the understanding of matters that have arisen or decided in each department. The Director appointed to the Corporate Information Manager handles corporate information under the Timely Disclosure Regulations, and the Internal Information Management Regulations have been established as internal regulations to ensure thorough internal management of important company information.

See the reference material [Internal system of timely disclosure] : attachment at the end of the document

2. Information on important decisions, important matters arising and the status of business execution is submitted and reported to the Board of Directors in a timely manner. In accordance with Timely Disclosure Regulations, such information is provided without delay when disclosure is required. When discussing the necessity of information disclosure, the Company receives advice and guidance from the Independent Auditor and the counsel as necessary, and strives to disclose accurate and fair corporate information.

(Attachment) diagram



(Attachment) Internal system of timely disclosure

