

Corporate Governance Report

Last updated: December 18th, 2018

Fibergate Inc.

President Masanori Inomata

Contact: Takafumi Hamauzu, Managing Director, Business Administration Headquarters Director

Securities code: 9450

<https://www.fibergate.co.jp>

Fibergate Inc.'s corporate governance is as follows.

I. Basic concept, capital structure, corporate attributes, and other basic information concerning corporate governance

1. Basic concept

The most important tasks for us are to practice basic policies for business administration, enhance transparency, and have an efficient and sound corporate management.

Fibergate adopted a Corporate Auditor system as a corporate governance structure. Accordingly, we have executive officers to improve corporate adherence to laws, revitalize the Board of Directors, and to clearly identify people responsible for business operations.

As a general rule, the Board of Directors meets once a month and works together on an everyday basis as necessary. They check the progress of management policy implementation and strengthen the monitoring of the directors' performance of their duties.

As a general rule, the Board of Executive Officers meets once a week. They receive the business management plan stipulated by the Board of Directors and take responsibility to realize the suitable execution of business operations.

As a general rule, the Board of Corporate Auditors meets once a week. Each corporate auditor executes his or her assigned duties in accordance with the auditing policies stipulated by the Board of Corporate Auditors and reports his or her progress to the Board of Corporate Auditors as necessary.

To have third parties involved in our corporate governance, we have contracted multiple lawyers and advisors who can give us guidance and advice on legal matters when necessary.

Based on very high evaluation standards, we signed an auditing contract with an accounting auditor who audits our accounting operations in a fair and unbiased manner.

Regarding compliance, in order to sustain sound corporate activities, we have an internal system to follow laws and regulations, social norms, corporate ethics, etc., in our corporate activities.

Fibergate understands that it is important to establish a corporate governance system that is effective for internal control and regulation, risk management, compliance, and information disclosure control. Also, we believe that building trust with all stakeholders and the general public will lead to an increase in the company's value. Therefore, while pursuing fairness and efficiency, Fibergate shall strive for sound and transparent business management and also have accountability. Also, for our diverse stakeholders including shareholders, we shall disclose information in a timely and appropriate manner and establish and incorporate a business management system that is sound and highly transparent.

To keep pace with the growing and expanding scale of our company, we shall strengthen and further improve the functions required for corporate governance. We shall ensure that our corporate management complies to laws and regulations and operates efficiently. In doing so, we aim for improved business performance.

[Reasons for not complying to specific corporate governance codes]

[Provision 1-2-4 Providing an environment to exercise voting rights electronically]

<Exercising voting rights electronically>

The convenience for shareholders and cost effectiveness shall be taken into consideration for deciding whether to provide an environment to enable voting electronically (by using an electronic platform, etc., for voting).

<English translation of meeting notifications>

Currently, since the shareholder percentage of Fibergate's overseas investors is relatively low, we do not provide an English translation of meeting notifications. In the future, we will take into consideration the percentage of Fibergate's overseas investors and consider providing an English translation of meeting notifications.

[Provision 2-4 Attaining internal diversity including the facilitation of women's activities]

Fibergate recognizes that having employees with diverse experience, attributes, perspectives, and values are the company's strength for continuing corporate growth.

To encourage women's work activities, Fibergate evaluates, recruits, and promotes people according to ability and achievement regardless of gender.

[Provision 3-1-2 Disclosing and providing information in English]

Currently, since the shareholder percentage of Fibergate's overseas investors is relatively low, we do not provide English translations of information.

In the future, while taking into consideration the percentage of Fibergate's overseas investors, the convenience for shareholders, and cost effectiveness, we shall consider providing English translations.

Also, reference materials provided at the stockholders' general meeting disclose our reasons for designating candidates for Fibergate's outside directors and auditors. As for other company directors and auditors, their biographies and our reasons for designating them are also disclosed. The reasons for selecting candidates in the future shall also be disclosed henceforth.

[Provision 4-1 Roles and responsibilities of the Board of Directors]

(Supplementary Provision 4-1-2)

Since Fibergate is in the communications industry that is constantly changing, it has to be flexible and quickly adapt to the changing business environment. Therefore, it does not publicly announce midterm business plans. We do periodically analyze the year's business plan and results and disclose the findings together with the company's fiscal report to stakeholders.

(Supplementary Provision 4-1-3 Supervision of CEO successor planning)

Fibergate recognizes that having a plan to succeed the Chief Executive Officer (CEO) is an important management issue. Centering on the Board of Directors, we shall consider making a plan to train company executives and directors.

(Supplementary Provision 4-2-1 Percentage of medium- and long-term performance-based remuneration and ratio of cash remuneration to company stock options)

Fibergate already has a stock option system, but it does not offer medium- and long-term performance-based remuneration. Henceforth, as we look toward continual growth, we shall consider offering a remuneration system based on medium- and long-term incentives.

(Supplementary Provision 4-3-2 Appointing the CEO based on an objective, timely, and transparent procedure)

Fibergate understands that the election or dismissal of the CEO is a most important strategic decision. The Board of Directors reaches a suitable decision based on a comprehensive evaluation of the person's performance and changes in the business administration environment.

(Supplementary Provision 4-3-3 Based on an adequate evaluation of the business performance, etc., the dismissal of the CEO in accordance with an objective, timely, and transparent procedure)

Fibergate does not have any advisory committee nor clear stipulations for dismissing the CEO. However, if the Board of Directors deems that the CEO has committed wrongdoing or a serious violation of the law or corporate statutes while on the job, has become physically incapacitated, or for some other reason has become unable to carry out the CEO's duties, steps can be taken to dismiss the CEO based on the Board's decision.

[Provision 4-8 Effective use of independent outside directors]

Fibergate has independent outside directors with various expertise to give advice for overall business management. They help strengthen the decision-making process and supervision. Therefore, we believe that selecting multiple, independent outside directors is necessary. Selecting candidates for independent outside directors will lead to the company's continual growth over the medium and long term.

For Fibergate's future growth and scale, we shall consider increasing the number of independent outside directors.

[Provision 4-10 Utilization of an arbitrary mechanism]

Fibergate employs a company providing a Board of Corporate Auditors that we think is doing a good job. Therefore, we do not employ an arbitrary mechanism. If the business management environment changes in the future and an arbitrary mechanism is deemed necessary, we shall consider employing an arbitrary mechanism.

(Supplementary Provision 4-10-1 Establishment of an independent advisory committee)

Fibergate has two independent outside directors, three independent external corporate auditors, and five of the nine members of the Board of Directors are outside directors. Therefore, the Board of Directors has a very effective supervisory function in place. If any change in the business management environment makes it necessary to have an optional Advisory Committee, we shall consider establishing one in the future.

[Provision 4-11 Prerequisites for ensuring the effectiveness of the Board of Directors and Board of Corporate Auditors]

(Supplementary Provision 4-11-3)

Fibergate does not have a system to analyze and evaluate the effectiveness of the Board of Directors. We shall consider establishing such a system including self-evaluation by each director.

[Provision 4-12 Revitalization of deliberations at Board of Directors meetings]

(Supplementary Provision 4-12-1)

As a general rule, the Board of Directors meets once a month. For important matters, it spends ample time for deliberations. Also, before the start of the fiscal year, the year's schedule is set, and the directors and corporate auditors are informed of the schedule. The Board of Directors shall be informed in advance of pending resolutions and be given reference materials. If any explanation is necessary in advance, it shall be provided.

[Disclosure of Corporate Governance Code Provisions]

[Provision 1-4 Strategic shareholdings]

Fibergate seeks stable shareholders who are not business clients and does not own and do not plan to own so-called "cross-held shares." As a general rule, Fibergate shall not pursue such strategic shareholding unless doing so would sustain or strengthen business ties.

[Provision 1-7 Transactions between related parties]

Transactions between related parties are subject to approval by a quorum of the Board of Directors excluding those who would benefit from or be affected by the decision. Also, at the end of the fiscal year, we conduct a survey among the directors of Fibergate and all subsidiary companies on whether there were any transactions between related parties. We thus have a management system for transactions between related parties. Also, any transactions between such related parties shall be disclosed in accordance with applicable laws and regulations stipulated by the Corporate Law, Financial Instruments and Exchange Act, and stock exchange.

[Provision 2-6 Function as an asset owner of corporate pensions]

Fibergate does not have any fund type or contract type Defined Benefit Plan nor Welfare Pension Fund. If in the future, Fibergate incorporates a corporate pension system, it shall take responsible action to fulfill its role as an asset owner of the corporate pension fund.

[Provision 3-1 Adequate disclosure of information]

(1) Business management philosophy and strategy

Fibergate's business management vision and strategy are shown on Fibergate's website:

<https://www.fibergate.co.jp/company/>

Fibergate's website also shows IR information and financial reports.

<https://www.fibergate.co.jp/ir/>

(2) Basic concept and policy of Fibergate's corporate governance

Fibergate Group's basic concepts for corporate governance: To uphold its social responsibilities by complying to laws, regulations, and ethics to build trust and meet the expectations of stakeholders including shareholders, customers, employees, and local community. To promptly obtain correct information, make proper decisions, and disclose timely information. To ensure suitable profits through business activities, to strengthen the Fibergate brand, and to effectively utilize assets to increase the company's value.

(3) Policy and procedures for the remuneration of directors and corporate auditors

Remuneration limits for the Board of Directors and the Board of Corporate Auditors are decided by the shareholders' general meeting. The actual remuneration for the directors is decided by the Board of Directors, and the remuneration for corporate auditors is decided by the Board of Corporate Auditors.

The remuneration reflects the director's job performance, position, and responsibilities.

(4) Policy and procedure for nominating director candidates

To have a good balance of company directors, we nominate diverse candidates having diverse expertise and experience.

Company statutes set the number of director candidates to be no more than seven.

A person can be nominated for a director position by the Board of Directors. A person can be nominated for a corporate auditor position upon the recommendation of the Board of Corporate Auditors and agreement by the Board of Directors. The nominees are then presented to the shareholders' general meeting for confirmation by passing a resolution.

(5) Explanation of the nomination of director candidates

The reasons for all the nominations of director candidates are disclosed by the shareholders' general meeting notification.

[Provision 4-1 Roles and duties of the Board of Directors]

(Supplementary Provision 4-1-1 Scope of management's delegated responsibilities)

The Board of Directors shall make decisions on matters stipulated by laws and regulations and matters stipulated by the Board of Directors' regulations. It shall make other major business management decisions in line with job authority regulations and within the limits of empowerment.

Also, Fibergate incorporates an executive management system to separate the decision-making, auditing, and business operation. Each executive manager executes his or her duties in the respective department in accordance with the rules concerning executive management, division of duties, and job authority.

The respective roles and responsibilities are thereby made clear and their functions are strengthened. It also makes business management more efficient and speeds up decision-making. It thereby aims to revitalize the Board of Directors.

[Provision 4-8 Effective utilization of independent outside directors]

Fibergate has two outside directors and three external auditors. All these outside officers are registered as independent directors. While having an outsider's perspective, the two outside directors frequently exchange opinions with the other directors, statutory auditors, management team, etc. As Fibergate's independent outside directors, they are currently fulfilling their duties very well. In addition, the statutory auditors execute their duties as necessary within their authority as stipulated by laws and ordinances. We therefore believe that these five outside officers can well monitor and supervise the business management. However, if Fibergate's business environment changes and it becomes necessary to have more outside officers, and we shall consider selecting candidates.

[Provision 4-9 Independence criteria and qualities of independent outside directors]

For appointing outside directors, Fibergate has set its "Independence Criteria for Outside Directors and External Auditors" based on the independence criteria stipulated by Corporate Law and the Tokyo Stock Exchange. This is to ensure the transparency of business management supervision. This "Criteria" is shown by this report's [About Independent Directors].

[Provision 4-11 Prerequisites for ensuring the effectiveness of the Board of Directors and Board of Corporate Auditors]

(Supplementary Provision 4-11-1 Strategy behind the abilities and diversity of the Board of Directors)

To facilitate prompt decision-making and execution of its duties, Fibergate's Board of Directors consists of managers overseeing their respective departments and outside directors who have extensive knowledge and experience.

Fibergate's directors are selected to attain a good overall balance in the Board of Directors with respect to their knowledge, experience, abilities, diversity, and scale. Fibergate will do all it can to this end with the aim of Fibergate's continual growth and increased medium-term company value.

When appointing outside directors, Fibergate reviews candidates for their rich experience or extensive knowledge on corporate strategy. Accountants are reviewed for their familiarity with internal regulations such as compliance. Fibergate thereby aims for a good balance of directors.

(Supplementary Provision 4-11-2 Status of board directors and statutory auditors serving concurrently at another listed company)

The status of outside directors and external auditors concurrently serving in important positions at another company is disclosed annually at the shareholders' general meeting, in the securities report, and in the corporate governance report.

The meeting attendance of Fibergate's Board of Directors exceeds 90 percent, and we believe they spend ample time to fulfill their roles and duties. Their concurrent positions are as follows:

Name and major concurrent position

- Ishimaru, board director
Director, Certified Public Accountant Ishimaru Accounting Office
Director, Densan Co., Ltd.
Director, TMR Systems Co., Ltd.
Outside director, Thirdwave Exchange Corporation
- Kouno, statutory auditor
Fibergate Taiwan Inc. statutory auditor
- Obata, statutory auditor
Tokyo Office Director, Ohta Obata Sogo Law Office
External auditor, RS Technologies Co., Ltd.
- Kamada, statutory auditor
Representative, Office K.

(Supplementary Provision 4-11-3 Analysis and evaluation of the director's effectiveness)

Fibergate's Board of Directors consists of people with expert knowledge and extensive experience. Based on statements by director attendees and the amount of deliberation time they spend, we believe the Board of Directors is being effective. However, we will consider the disclosure in the future of our methods and results of analyzing and evaluating the effectiveness of the Board of Directors.

[Provision 4-14 Training of directors and statutory auditors]
(Supplementary Provision 4-14-2)

For new directors selected from outside the company, Fibergate provides relevant materials to give an overview and explanation of matters what we need to take care of, etc. New directors selected from within the company attend external seminars, etc., to obtain necessary knowledge as a director. In addition, Fibergate bears the expenses for the director or auditor to attend optional training sessions and social gatherings.

[Provision 5-1 Policy on constructive dialogue with shareholders]
(Supplementary Provision 5-1-1)

(1) Basic concept

For the continual growth and improvement of our medium- and long-term company value, Fibergate believes that it is important to build long-term trust through dialogue with shareholders and investors. To this end, the department in charge headed by the representative director conducts IR activities.

(2) Designation of the director coordinating the overall dialogue with shareholders, and policy for organic coordination among company departments to assist the dialogue

The dialogue with shareholders and investors is coordinated by the IR director, and the Business Administration Headquarters is the department in charge. With regular coordination between departments, a good dialogue with shareholders and investors is maintained.

(3) Methods other than individual interviews

To have a constructive dialogue with shareholders and investors, we disclose information as required by law and by timely disclosures. We also disclose useful information about Fibergate's activities.

For analysts and institutional investors, it is our basic policy to hold financial orientation sessions where the representative director explains and answers questions. For individual investors, we allow ample time for Q&A at shareholders' general meetings. We also hold orientation sessions for individual investors on an irregular basis.

(4) Measures for feedback

The IR director shares with the Board of Directors opinions obtained through dialogue with shareholders.

(5) Measures for the management of insider information

Regarding dialogue with shareholders, the information is managed in accordance with our IR policy to prevent the leakage of any insider information.

(Supplementary Provision 5-1-3 Understanding the makeup of shareholders)

Once every quarter, Fibergate check the makeup of shareholders with shareholders list and if necessary, we also check the beneficial shareholders.

2. Capital Structure

Foreign Shareholders	Less than 10%
----------------------	---------------

[Major Shareholders]

Name	Shares	Percentage (%)
Masanori Inomata	1,729,700	36.32
MI Corporation	1,194,000	25.07
Taizou Matsumoto	510,000	10.71
GARUDA FUND MANAGING DIRECTOR BRIAN BALLEINE (Standing proxy, Phillip Securities Japan, Ltd.)	150,600	3.16
SBI Securities Co., Ltd.	77,300	1.62
Japan Trustee Services Bank, Ltd. (trust)	71,400	1.49
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC) (Standing proxy, MUFG Bank, Ltd.)	70,000	1.47
Takeshi Tamura	58,000	1.21
BNY GCM ACCOUNTS M NOM (Standing proxy MUFG Bank, Ltd.)	46,100	0.96
Shares held by Fibergate Inc. employees	45,200	0.94

Leading shareholder	Masanori Inomata
---------------------	------------------

Parent company	None
----------------	------

Remarks

1 List of major shareholders as of June 30th, 2018.
2 MI Corporation is president Masanori Inomata's asset management company. It has only one shareholder who is Masanori Inomata.
3 On September 1st, 2018, a normal share was split into two shares. The number of shares owned as stated above applies to the period before this date.

3. Corporate Attributes

Stock exchange listing and section	Tokyo Stock Exchange Mothers
Fiscal term	June
Industry	Information and communications
Employees (consolidated) before the end of the fiscal year	Over 100 and less than 500
Consolidated sales before the end of the fiscal year	Less than ¥10 billion
Consolidated subsidiaries before the end of the fiscal year	Fewer than 10

4. Guidelines for measures protecting minority shareholders during transactions with controlling shareholders

Fibergate's representative director, Masanori Inomata, together with MI Corporation whose representative director is Masanori Inomata, have a majority of voting rights. This makes him the controlling shareholder. When a transaction is conducted with the controlling shareholder, extreme care is taken to protect the profits of regular shareholders. The necessity of the transaction is also checked. When transactions are conducted with the controlling shareholder, the same suitable preconditions applied to regular transactions are also applied. This is the basic policy. It is to prevent any problems with the profits of other shareholders.

5. Other special situations that may significantly affect corporate governance

None.

II. Management decision-making, business management organization for execution and supervision, and other corporate governance systems

1. Organizational structure and management

Organization type	Company with a board of auditors
-------------------	----------------------------------

[Board of Directors]

Number of Board of Directors in accordance with company statutes	7
Term of Board of Directors in accordance with company statutes	1 year
Board of Directors Chairman	Company president
Number of Board of Directors	6
Designation of outside directors	Appointed
Number of outside directors	2
Outside directors designated by an independent director	2

Relationship to the company (1)

Name	Affiliation	Relationship to the company (*1)										
		a	b	c	d	e	f	g	h	i	j	k
Nobuyuki Shinoda	From another company.											
Mie Ishimaru	From another company.											

* Items applicable to the person's relationship to the company.

* Currently or recently applicable items are marked with "○", and items applicable in the past are marked with "△".

* Currently or recently applicable items for a close relative are marked with "●", and items applicable in the past for a close relative are marked with "▲".

a Functional manager at a listed company or its subsidiary.

b Functional manager or non-executive member of the Board of Directors at the parent company of a listed company.

c Functional manager at a sister company of a listed company.

d Person or functional manager whose main client is a listed company.

e Major client of a listed company or the major client's functional manager.

f Consultant, accountant, or legal specialist receiving a high payment or other asset from a listed company other than the director's remuneration.

g Major shareholder of a listed company. (If the major shareholder is a corporation, the person is a functional manager of the corporation.)

h Functional manager of a listed company's client (d, e, or f not applicable).

i Functional manager at a company having mutual outside directors with Fibergate.

j Functional manager at a listed company giving donations to Fibergate.

k Other.

Relationship to the company (2)

Name	Independent Director	Remarks on Applicable Items	Reason for Fibergate Outside Director Appointment
Nobuyuki Shinoda	○	-	Outside director Nobuyuki Shinoda has many years of extensive management experience. He was mainly in charge of business strategy for growth and improved performance in personnel, accounting, finance, and business planning. He was therefore deemed suitable to oversee the business department as an outside director. At the Board of Directors, he fulfills a monitoring function by overseeing the legal compliance and suitability of Fibergate's business decisions. He also meets the criteria for being independent of Fibergate and does not have any special interest in his relationship with Fibergate. There is no possibility of any conflict of interest with regular shareholders.

Mie Ishimaru	○	-	Outside director Mie Ishimaru has experience as a certified public accountant in an important position in an auditing firm, business management auditing firm, and other companies. He was appointed as an outside director since we could expect him to provide correct and significant advice for Fibergate's overall business management from an independent and global perspective with regard to risk management and corporate governance. He also meets the criteria for being independent of Fibergate and does not have any special interest in his relationship with Fibergate. There is no possibility of any conflict of interest with regular shareholders.
--------------	---	---	--

Optional committees equivalent to a nominating committee or remuneration committee	None
--	------

[About statutory auditors]

Existence of Board of Corporate Auditors	Yes
Number of statutory auditors in accordance with company statutes	5
Number of statutory auditors	3

Coordination of statutory auditors, external auditors, and internal auditing department

<p>Fibergate has set a basic policy for an internal control system. The statutory auditors and Internal Audit Office monitor the execution of job duties by the directors and employees, and conduct audits based on the statutory auditor's audit plan and the internal audit plan.</p> <p>For internal auditing, the Internal Audit Office works directly under the company president. In accordance with internal audit regulations, the Internal Audit Office monitors the compliance of all departments and subsidiaries to internal regulations and monitors the execution of their duties. The results of the audit are reported to the president. If any improvements are deemed necessary, they shall be requested and the progress of the improvement shall be monitored as a follow-up.</p> <p>Based on the audit policy and audit plan established by the Board of Corporate Auditors, the statutory auditor attends important meetings such as Board of Directors meetings and monitors their execution of duties by examining important documents. The statutory auditor receives reports from directors, employees, and external auditors and does other things for effective monitoring. Also, together with the Internal Audit Office, the external auditor attends auditing report meetings for the quarterly fiscal period and end-of-term audit, and exchanges opinions. The statutory auditor and Internal Audit Office exchange opinions with each other after the internal auditing of each department is completed.</p>

Appointment status of external auditors	Appointed
Number of external auditors	3
Number of independent directors among the external auditors	3

Relationship to the company (1)

Name	Affiliation	Relationship to the company (*1)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Naoteru Kouno	From another company.													
Tomohiro Obata	Attorney													
Hiroshi Kamada	From another company.													

* Items applicable to the person's relationship to the company.

* Currently or recently applicable items are marked with "○", and items applicable in the past are marked with "△".

* Currently or recently applicable items for a close relative are marked with "●", and items applicable in the past for a close relative are marked with "▲".

a Functional manager at a listed company or its subsidiary.

b Accountant or non-executive member of the Board of Directors at a listed company or its subsidiary.

c Functional manager or non-executive member of the Board of Directors at the parent company of a listed company.

d Auditor at the parent company of a listed company.

- e Functional manager at a sister company of a listed company.
- f Person or functional manager whose main client is a listed company.
- g Major client of a listed company or the major client's functional manager.
- h Consultant, accountant, or legal specialist receiving a high payment or other asset from a listed company other than the director's remuneration.
- i Major shareholder of a listed company. (If the major shareholder is a corporation, the person is a functional manager of the corporation.)
- j Functional manager of a listed company's client (f, g, or h not applicable).
- k Functional manager at a company having mutual outside directors with Fibergate.
- l Functional manager at a listed company giving donations to Fibergate.
- m Other

Relationship to the company (2)

Name	Independent Director	Remarks on Applicable Items	Reason for Fibergate External Auditor Appointment
Naoteru Kouno	○	-	External auditor Naoteru Kouno has longed worked for a business company and has extensive experience in business planning. He has also managed a branch store for a long time. He was therefore regarded as capable of strengthening Fibergate's auditing activities and was appointed as an external auditor. He also meets the criteria for being independent from Fibergate. There is no possibility of any conflict of interest with regular shareholders.
Tomohiro Obata	○	-	Being a corporate attorney, external auditor Tomohiro Obata has ample knowledge and experience in business management. With his excellent business management insights, he was regarded as capable of contributing to the auditing of Fibergate and was appointed as an external auditor. He also meets the criteria for being independent from Fibergate. There is no possibility of any conflict of interest with regular shareholders.
Hiroshi Kamada	○	-	Being a Registered Management Consultant for many years, external auditor Hiroshi Kamada has extensive experience and knowledge in business administration and operations. Since his extensive experience and insight in accounting, finance, human resources development, risk management, and business administration strategy can contribute to the auditing of Fibergate, he has been appointed as an external auditor. He also meets the criteria for being independent from Fibergate. There is no possibility of any conflict of interest with regular shareholders.

[About Independent Directors]

Number of independent directors	5
---------------------------------	---

Other notes about independent directors

As required by the Tokyo Stock Exchange, our independent directors have no conflicts of interest with regular shareholders.

Criteria for the independence of outside directors and external auditors

Fibergate defines the criteria for the independence of its outside directors and external auditors as follows:

1. Relationship between Fibergate and Fibergate subsidiaries (hereinafter, "Fibergate Group")
 The person is currently not and has not been a board director or employee of the Fibergate Group during the past 10 years.
2. Relationship with customers
 At present and during the past three years, neither 1 or 2 below applies to the person:
 - 1 A major customer of the Fibergate Group. (Or if the customer is a corporation, the person is a director or employee of that corporation.)
 - 2 The person has the Fibergate Group as a major customer. (Or the person is a director or employee of a corporation that has Fibergate Group as a major customer.)
3. Relationship with shareholders
 The person is not and has not been a major shareholder of Fibergate in the past three years. (Or the person is not a director nor employee of a corporation that is a major shareholder of Fibergate.)
4. Relationship with advisors and consultants
 At present and during the past three years, neither 1 or 2 below applies to the person:
 - 1 The person is an external auditor, tax accountant, attorney, or other consultant (or an employee or partner of a corporation, cooperative, or other organization) in the Fibergate Group and receives a high remuneration or other asset from the Fibergate Group in addition to remuneration for being a board director.
 - 2 The person is not a certified public accountant, tax accountant, attorney, or other consultant (or an employee, partner, or employee of a corporation, cooperative, or other organization) as applicable above and receives a high remuneration or other asset from the Fibergate Group in addition to remuneration for being a board director.
5. Relationship with donors
 The person is not a director nor employee of a corporation, organization, etc., that is receiving or has received a large donation from the Fibergate Group during the past three years.
6. Relationship with relatives
 The person is not a close relative of any of the persons (1) to (5) above (excluding unimportant persons).
 Note:
 1. A major customer of the Fibergate Group is defined as one whose transactions account for over 2 percent of the Fibergate Group's annual consolidated sales in the most recent fiscal year.
 2. The Fibergate Group is defined as a major customer when the transactions with it account for over 2 percent of the person or corporation's annual consolidated sales in the most recent fiscal year.
 3. A major shareholder is one who possess voting rights exceeding 10 percent (including indirect possession of voting rights).
 4. "High remuneration" is defined as a three-year average of over ¥10 million per year for an individual or over 2 percent of consolidated total sales or gross income for a corporation.
 5. "Large donation" is defined as a three-year average of over ¥10 million per year or over 2 percent of consolidated total sales, whichever is greater.
 6. "Close relative" is defined as a spouse or sibling.

[Incentives]

Status of incentives for directors	Stock options provided.
------------------------------------	-------------------------

Remarks

Stock options are provided to motivate the director to contribute to improving the company's business performance and to enhance morale.
--

Persons eligible for stock options	Inside directors, outside directors, external auditors, employees, directors of subsidiaries
------------------------------------	--

Remarks

Fibergate provides stock options so the directors of Fibergate and its subsidiaries, executive managers, and employees can be in the same position as shareholders, and they can be motivated to attain a balanced business management from a medium- to long-term perspective.

[Remuneration for directors]

Disclosure of the remuneration paid to each director	Individual remunerations are not disclosed.
--	---

Remarks

Since remuneration, etc., exceeding ¥100 million is not being paid to anyone, we do not disclose the remuneration for any individual. Only the total remuneration for directors and the separate total for statutory auditors are disclosed.

Policy to decide the remuneration amount or its calculation method	Exists
--	--------

Disclosure of the amount or calculation method of remuneration

The remuneration for directors is decided by the Board of Directors within the remuneration limits set by the shareholders' general meeting. It is decided based on the director's duties, responsibilities, and achievements.

[Outside director (external auditor) support system]

To enable the outside director and external auditor to properly and effectively supervise and monitor the business management from an independent perspective, Fibergate coordinates with the internal auditing department to provide business management-related materials and explain about business conditions whenever necessary. Also, to have this support system go smoothly, we have a full-time statutory auditor working closely with the internal auditing department to collect sufficient information from each department. The independent activities of the outside directors and external auditors are thereby supported.

2. About business execution, auditing and supervision, appointments, and remuneration decisions (Summary of current corporate governance)

The business administration organization and other corporate governance for Fibergate's business management decision-making, execution, and supervision are as follows.

(a) Board of Directors

Fibergate's Board of Directors consists of six directors, two of which are outside directors. It can make decisions promptly to adapt to changes in the business environment. It also has a system to supervise the execution of business operations and to make fair decisions.

As a general rule, the Board of Directors meets regularly once a month and whenever it is necessary to make important decisions concerning business management and business operations. Three statutory auditors also attend Board of Directors meetings to monitor the directors' execution of their duties.

(b) Board of Corporate Auditors

Fibergate's statutory auditors consist of one full-time statutory auditor and two part-time statutory auditors. The Board of Corporate Auditors meets regularly once a month and can also meet whenever it is necessary.

The statutory auditors attend Board of Directors meetings and follow an established system to monitor the overall business management centering on accounting and business operations. They coordinate with the external auditors and internal auditing department to conduct effective and efficient monitoring.

In accordance with company statutes, Fibergate's statutory auditors shall number no more than five. Confirmation of their appointment hinges on a majority vote at the shareholders' general meeting where there must be at least one-third of the shareholders having voting rights.

(c) Executive management meetings (Management meetings)

As a general rule, the executive management meeting (management meeting) is held once a week. They collect business operation reports based on management policy and important information concerning the reports, share information among departments, formulate policies related to the business plan and overall business, and discuss issues of each department that need to be examined laterally. The executive management meeting (management meeting) attendees consist of the company president, board directors, executive managers, statutory auditors, and persons appointed by the company president. They hold meetings attended by those who need to attend and exchange opinions.

(d) Internal auditing

Fibergate has an independent Internal Audit Office. Under the direction of the representative director, the Internal Audit Office Director and two Internal Audit Office staff conduct a comprehensive audit of Fibergate and submit the audit results report to the representative director. Based on the audit results, the representative director instructs the audited departments to make improvements and submit a report of the results. This is how internal control is maintained and improved. Also, to make auditing effective and efficient, the internal audit staff, statutory auditors, and the external auditors exchange information as necessary.

(e) Risk management system

Fibergate recognizes that risk management is extremely important in business administration. The directors and the Board of Directors' business execution and their monitoring are being reinforced. Also, to improve risk management, it is strengthening the operation, checking, and internal auditing of business planning, budget control, and business activities based on various regulations. Also, for the sake of risk management, if a serious crisis affecting the outside is discovered, a Risk Management Committee and Crisis Management Committee consisting of executive managers will be formed in executive management meetings (management meetings) to investigate the crisis, confirm the facts, handle external affairs, and prevent a recurrence.

(f) External auditor

Fibergate has contracted KPMG AZSA LLC to be its external auditor. There are no special interest ties between Fibergate and KPMG AZSA LLC or its auditing staff.

3. Reasons for selecting the current corporate governance system

Since an auditing system with statutory auditors is considered to be effective for monitoring business management, Fibergate retains a company as a Board of Corporate Auditors. Also, having two outside directors and three external auditors ensures proper decision-making (which includes external perspectives) and supervision of business operations. In addition, the Internal Audit Office works directly under the company president and works closely with statutory auditors. This improves internal checking. With the above systems, we believe our corporate governance will function well and therefore have adopted them.

III. Implementation of measures for shareholders and other stakeholders

1. Efforts to revitalize shareholders' general meetings and facilitating smooth exercising of voting rights

Remarks

	Remarks
Sending early notifications for shareholders' general meetings	Fibergate understands that shareholders need much time to study the proposed resolutions. Therefore, upon approval by the Board of Directors, a meeting notification is promptly announced electronically via TDnet and also sent as soon as possible.
Setting the shareholders' general meeting on non-busy dates.	Since Fibergate's fiscal year ends in June, it is not too concerned about busy shareholders' meeting dates.
Voting on resolutions via electronic means.	We shall consider using the Internet to enable shareholders to vote.
Improving the voting environment to enable institutional investors to vote on resolutions using an electronic platform, etc.	This is being considered for the future.
Providing meeting notifications (summary) in English	Currently, meeting notifications are not translated into English. However, it shall be considered for the future.

2. IR-related activities

	Remarks	Explained by the person in charge
Regular explanatory meetings for individual investors	Through a leading securities company, we hold briefing sessions and seminars for individual investors on an irregular basis when the company president explains about the business performance and management policy.	Yes
Periodic briefing sessions for analysts and institutional investors	We hold periodic briefing sessions for analysts and institutional investors. In addition, we occasionally visit institutional investors individually.	Yes
Periodic briefing sessions for overseas investors	If the number of foreign investors increases significantly, we shall consider holding briefing sessions for them.	To be determined
Publishing IR materials on the website	Fibergate has a web page dedicated to IR. It is where timely disclosure materials, securities reports, quarterly reports, financial summary reports, company information, etc., can be viewed.	
Department (person) in charge of IR	IR activities are handled by the Business Administration Headquarters.	

3. Respecting the stakeholders' interests

	Remarks
Internal regulations to respect stakeholders' interests	Fibergate has "Ethical Regulations" to respect the position and interests of society, customers, shareholders, and other stakeholders by providing corporate information appropriately.
Environmental conservation activities, CSR, etc.	We shall consider undertaking such activities in the future.
Making policies for providing information to stakeholders	Fibergate shall be actively engaged in IR to provide fair and timely company information to shareholders and investors. Also, in the interest of stakeholders, we shall strive for business management transparency by disclosing information to all stakeholders in compliance with laws and regulations.
Miscellaneous	<Policy and measures for women's job activities> To facilitate women's job activities, Fibergate hires and promotes people based on their abilities and past record regardless of gender.

IV. Internal control system, etc.

1. Basic concept and incorporation of the internal control system

Regarding internal control, the Board of Directors has created and incorporated the "Basic Policy on Internal Control." Under this policy, the following are stipulated to ensure that the directors execute their duties while complying to laws, regulations, and company statutes and to also ensure that the company's business operations are proper.

a. Ensuring directors and their employees executing their duties in compliance with laws, regulations, and company statutes

1. To comply with laws and regulations, company statutes and social norms, the "Compliance Code of Conduct" shall be stipulated and widely disseminated throughout the entire company.
2. Rules for compliance are to be made and a compliance system is to be created and maintained at executive management meetings.
3. Compliance education and training are to be provided to maintain and improve awareness of compliance.
4. An internal whistleblowing system shall be created for the early detection or prevention of problems and an appropriate and prompt response is to be made.

b. Saving and managing information related to the directors' execution of their duties

In accordance with laws and regulations, document management regulations, and internal information management regulations, information related to the directors' execution of their duties shall be compiled and saved. They will be made available for viewing and copying by the directors, statutory auditors, external auditors, etc., whenever necessary.

c. Regulations and systems to manage the risk of loss

1. Risk management regulations are to be established, an organization to handle various risks in the company's business activities is to be formed, a person in charge is to be appointed, and a suitable evaluation and management system is to be established.
2. At executive management meetings, measures shall be taken to prevent or reduce various risks in our business activities.
3. If a crisis occurs, a crisis response headquarters shall be formed to promptly disseminate adequate information internally and externally and to quickly take appropriate action to resolve the crisis.

d. System to ensure the directors' efficient execution of duties

1. The Board of Directors' decision-making, operation monitoring, and the executive managers' executing function are to be done separately.
2. Regulations for the Board of Directors, regulations for the division of duties, and regulations for the directors' duties and authority are to be stipulated. The duties, authority, and responsibilities of the directors are to be made clear.
3. The Board of Directors is to meet regularly once a month and whenever a meeting is necessary.

e. System to ensure the propriety of operations by the corporate group consisting of Fibergate and its subsidiaries

1. A department in charge of an affiliated company is to be established, and the company is to be managed based on the affiliated company management regulations.
2. The Board of Directors is to decide on the Fibergate Group's business plan, and the Business Administration Headquarters is to report the business plan's progress to the Board of Directors every month.
3. The Internal Audit Office is to conduct internal audits of Fibergate and Fibergate subsidiaries and report the results to the company president.

f. Guidelines for any assistant requested by the statutory auditor

1. If an assistant is requested by a statutory auditor, the Board of Directors shall discuss it with the statutory auditor and appoint an assistant as the statutory auditor's staff who is to assist in auditing duties.
2. The statutory auditor's appointed staff is to take orders only from the statutory auditor and not from any other director.

g. Independence of statutory auditor's assistant from directors

1. The assistant ordered by the statutory auditor to help with the statutory auditor's duties shall not accept any orders from a director or other superior.
2. Any personnel changes of the assistant must receive the consent of the statutory auditor.

h. Directors, staff, and others submitting reports to a statutory auditor

1. The statutory auditor can attend important meetings such as Board of Directors meetings and management meetings and request reports from the directors and staff on the performance of their duties.
2. If a director or staff discovers any violation of a law or ordinance or any possibility of significant damage to the company, it is to be promptly reported to the statutory auditor.
3. If the statutory auditor requests a report of the execution of duties, the directors and staff are to promptly submit a report.
4. Regarding employee whistleblowing to the statutory auditor, the information shall be kept confidential in accordance with laws and regulations and the source shall be protected from negative consequences.

i. Other systems to enable the statutory auditor to audit effectively

1. The Board of Corporate Auditors, including external auditors, is to comply with laws and regulations to ensure fairness and transparency.
2. Statutory auditors are to periodically exchange opinions with the representative director to understand each other.
3. Statutory auditors are to periodically exchange information with the external auditors and Internal Audit Office to coordinate with each other.
4. If deemed necessary for auditing, statutory auditors can request the opinions of an attorney, certified public accountant, or other expert at the expense of the company.

j. Ensuring the reliability of financial reports

To ensure the reliability of financial reports, company-wide control and the control of all business operations shall be strengthened at executive management meetings (management meetings). A system for this shall be established.

k. Basic concept and current system for eliminating business with criminal and anti-social elements

1. Basic concept for eliminating business with criminal and anti-social elements
 - 1 Fibergate's code of conduct, company regulations, etc., are to be established for the company president and all employees to wholly oppose and eliminate criminal and anti-social elements from business dealings.
 - 2 There are to be no transactions nor any kind of relationship with any criminal or anti-social elements. Also, any unreasonable demands by criminal or anti-social elements are to be totally rejected.
2. Current system of eliminating business with criminal and anti-social elements
 - 1 The Business Administration Headquarters oversees the elimination of any business with criminal and anti-social elements. Also, each office (Sapporo, Tokyo, Osaka, Nagoya, and Sendai) has a supervisor to deal with unreasonable demands.
 - 2 By setting "Countermeasures for Criminal and Anti-social Elements" and other guidelines, a system to eliminate any business with criminal and anti-social elements shall be established.
 - 3 A background check of customers is to be made to find any connection with criminal or anti-social elements.
 - 4 To check a customer for any connection with criminal or anti-social elements, information shall be obtained from outside parties, etc.
 - 5 To prepare for any unreasonable demands by criminal or anti-social elements, there will be close cooperation with the police, the National Center for Removal of Criminal Organizations, attorneys, and other specialists.

2. Basic concept and current system for eliminating business with criminal and anti-social elements

Fibergate recognizes that its special associates, shareholders, customers, etc., have no connection with criminal and anti-social elements.

To firmly eliminate threats to the social order and safety of society by criminal and anti-social elements (including criminal organizations [yakuza], criminal organization members, subgroups of criminal organizations, companies connected to a criminal organization, corporate racketeers [sokaiya], unlawful social activist movements, white-collar crime groups), Fibergate has set the following basic policy that it follows to fend off criminal and anti-social elements.

(Basic policy)

Fibergate does not provide any monetary or other economic benefits to criminal and anti-social elements under any circumstances.

- 1 While having a firm attitude against criminal and anti-social elements, we practice corporate activities that are shielded against such elements. This is to contribute to a sound civil society and enhancement of our corporate value. To eradicate any connection with criminal and anti-social elements that can pose a serious threat to our corporate activities, top management shall completely shut out any connection with criminal and

anti-social elements such as corporate racketeers disrupting shareholders' meetings. The company's firm resolution to reject criminal and anti-social elements is to be made known, and it is to systematically enable the company to follow the three basic tenets of "be unafraid," "give no money," and "do not use anti-social elements" against threats of organized violence.

2 To maintain the absence of ties with criminal and anti-social elements, the relevant and required internal and external information will be centrally managed and there will be constant coordination with outside agencies for guidance and assistance to resolve problems and train personnel.

3 Crisis management shall always be kept in mind to shut out criminal and anti-social elements. Company rules and a business operation manual shall be made as guidelines to deal with any approach by a criminal or anti-social element. In these ways, employee education and training shall be pursued. Also, to confirm the company's effectiveness of such measures, auditing of business operations will be strengthened.

- Fibergate has no connections with criminal and anti-social elements and does not conclude any transactions or contracts with such elements.

- To shut out any connection with criminal and anti-social elements, all Fibergate directors and employees maintain a firm attitude.

- To prevent being victimized by criminal or anti-social elements, Fibergate cooperates with the police, the National Center for Removal of Criminal Organizations, attorneys, and other such specialists to pursue company-wide, proper measures.

- Fibergate shall not honor any improper demands for compensation from criminal and anti-social elements. It shall take firm, legal action to deal with such demands and work to ensure the safety of its directors and employees.

- Under no circumstances shall Fibergate provide any profits or back-room deals to a criminal or anti-social element.

Fibergate's specific system and measures to eliminate criminal and anti-social elements are based on its countermeasures for criminal and anti-social elements and manual of criminal and anti-social elements.

Before any business starts with a new customer, subcontractor, supplier, or director, etc., we investigate the party by doing an online search and checking for any relevant articles in the Nikkei Telecom. Also, for continuing customers, we conduct the same investigation once a year.

If we discover any party in a basic business contract to be a criminal or anti-social element, there is a clause for us to cancel the contract.

Also, based on the above basic policy, we have established concrete response guidelines and a system to exclude transactions with criminal and anti-social elements based on the response guidelines.

V. Miscellaneous

1. Defenses against takeovers

Defenses against takeovers	None
----------------------------	------

Remarks

The shareholders' interests are Fibergate's top priority, and currently we do not have special countermeasures against hostile takeovers. There are no plans to have such countermeasures, but we may consider it in the future. If it becomes necessary, we shall proceed carefully with the advice of our legal advisors.

2. Other corporate governance items

[Shareholders' general meeting resolutions that can be decided by the Board of Directors]

(Purchase of treasury stock)

To adapt to changes in the economy, Fibergate can flexibly implement financial and business management measures including the purchase of treasury stock. Based on Article 165, Paragraph 2 of the Corporate Law and Fibergate's company statutes, Fibergate can buy back its own shares on the stock market upon a decision by the Board of Directors.

(Interim dividends)

To be flexible in providing profits to shareholders, Fibergate pays interim dividends annually on December 31st as decided by the Board of Directors pursuant to the Corporate Law's Article 454, paragraph 5, as allowed by the company statutes.

(Exemption of director's liability)

To enable the director to adequately fulfill the expected role in performing job duties, pursuant to Article 426, Paragraph 1 of the Corporate Law, the liability of the director (including past directors) for any loss or damage due to negligence in performing job duties may be exempted as decided by the Board of Directors within the extent of the law and regulations, as stated in the company statutes.

(Exemption of statutory auditor's liability)

To enable the statutory auditor to adequately fulfill the expected role in performing job duties, pursuant to Article 426, Paragraph 1 of the Corporate Law, the liability of the statutory auditor (including past statutory auditors) for any loss or damage due to negligence in performing job duties may be exempted as decided by the Board of Directors within the extent of the law and regulations, as stated in the company statutes.

(Exemption of outside director and external auditor's liabilities)

Based on Article 427, Paragraph 1 of the Corporate Law, Fibergate has concluded a contract with outside directors and external auditors limiting the liability for any loss or damages in accordance with Article 423, Paragraph 1 of the Corporate Law. The maximum liable amount for loss or damages under this contract is stipulated by laws and regulations.

[Number of directors]

Our company statutes stipulate Fibergate's directors to number no more than seven.

[Conditions for approving the appointment of a director]

To approve the appointment of a director, there must be a majority of votes in favor of the appointment among shareholders who possess at least one-third of the voting rights. Cumulative votes are not to be counted, as stipulated by the company statutes.

[Conditions for voting on special resolutions at shareholders' general meetings]

For shareholders' general meetings to run smoothly, eligible voting shareholders having at least one-third of the voting rights are to attend and at least two-thirds of them must vote in favor in order to pass any special resolution (as specified by Article 309, Paragraph 2 of the Corporate Law), as stipulated by the company statutes.

[Corporate Governance System]

See "Reference: Corporate Governance Schematic Diagram".

[Basic stance and policy for timely disclosures]

In a fair and timely manner, Fibergate discloses company information as stipulated by the Financial Instruments and Exchange Act and the securities listing regulations set by the Tokyo Stock Exchange. In addition, Fibergate

actively discloses useful information to shareholders, investors, and other stakeholders to facilitate better understanding and an accurate evaluation of Fibergate. It is to also make the business management transparent.

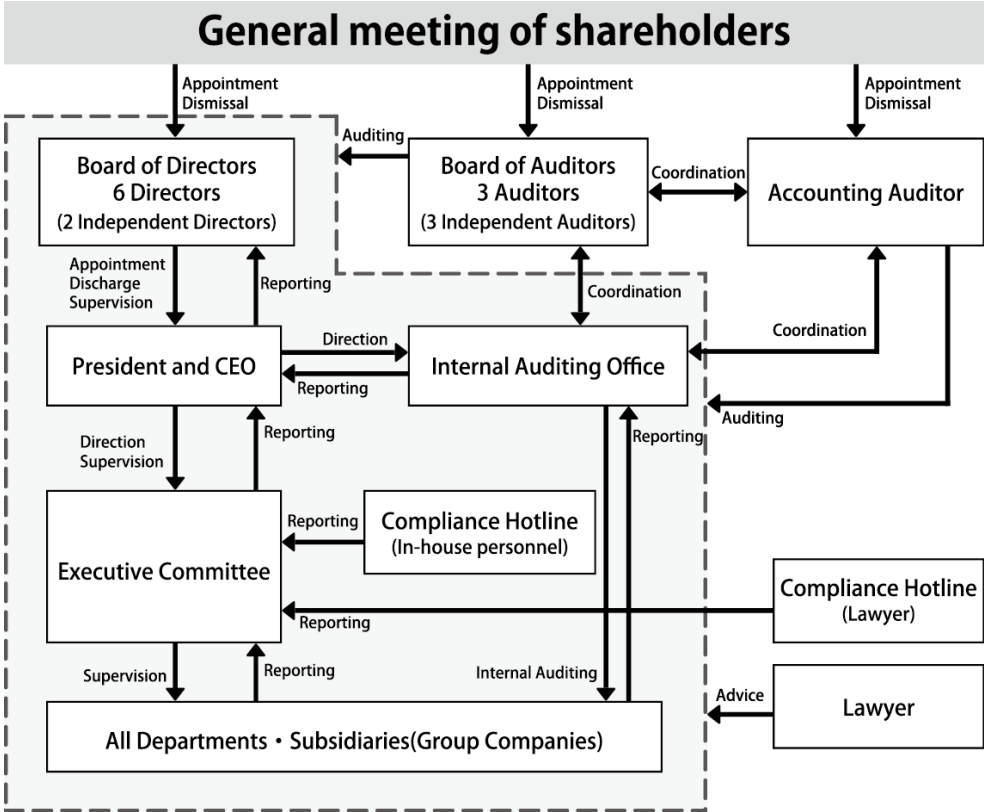
[Internal system for timely disclosures]

At Fibergate, the IR staff takes care of timely disclosures and the Business Administration Headquarters Director is the information administrator.

The material facts from all company departments and the decisions and fiscal information from meetings are entirely consolidated by the information administrator through each department. Any information deemed important by the information administrator is promptly reported to the company president. If a timely disclosure is deemed necessary, a Board of Directors meeting is held and the timely disclosure is done by the IR staff under the direction of the information administrator.

If the company president deems the disclosure to be urgent, the disclosure can proceed without a Board of Directors meeting.

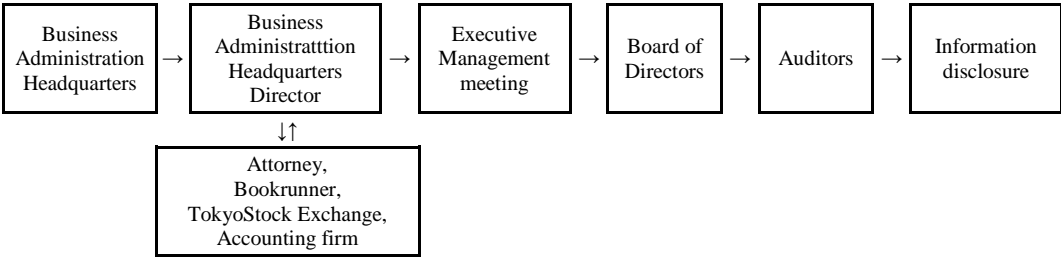
Reference [Corporate Governance Schematic Diagram]



* Executive Committee include all committees.
 (Risk Management Committee, Crisis Management Committee, Development Council, Information Security Committee, Safety and Health Committee)

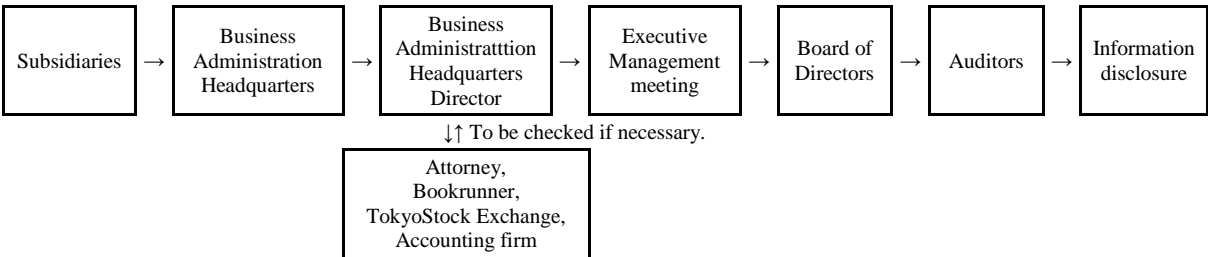
Reference [Timely Disclosure Control Diagram]

(a) Information on Fibergate's decisions and financials



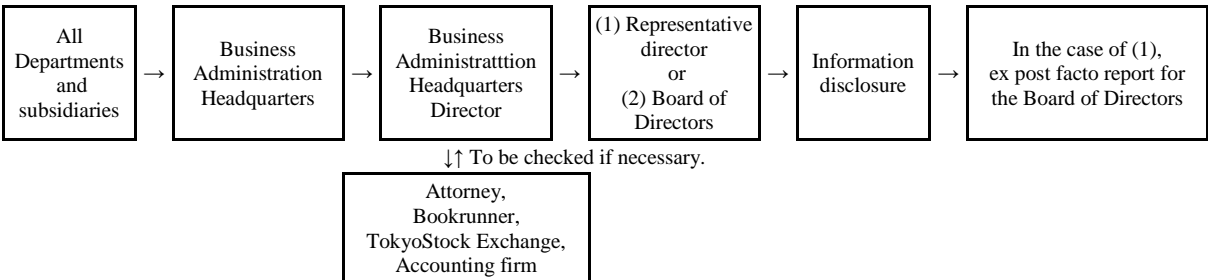
- * Business Administration Headquarters : Summarizes resolutions to be decided by the Board of Directors.
- * Business Administration Headquarters Director : Confirmation of disclosure or non-disclosure in accordance with securities listing rules.
- * Executive Management meeting : Process of confirming information disclosure or non-disclosure and result report.
- * Auditors : Opinion on whether or not to disclose information.
- * Information disclosure : Tokyo Stock Exchange, TDnet (After disclosure, to be displayed on Fibergate's IR web page.)

(b) Information on subsidiary's resolutions



- * Subsidiaries : Board of Directors resolutions
- * Business Administration Headquarters : Summarizes resolutions to be decided by the Board of Directors.
- * Business Administration Headquarters Director : Confirmation of disclosure or non-disclosure in accordance with securities listing rules.
- * Executive Management meeting : Process of confirming information disclosure or non-disclosure and result report.
- * Auditors : Opinion on whether or not to disclose information.
- * Information disclosure : Tokyo Stock Exchange, TDnet (After disclosure, to be displayed on Fibergate's IR website.)

(c) Information about Fibergate Group-related material facts



- * All departments and subsidiaries : Emergency situation, etc., occurs.
- * Business Administration Headquarters : Confirmation of material facts and summary of information.
- * Business Administration Headquarters Director : Confirmation of disclosure or non-disclosure in accordance with securities listing rules.
- * Information disclosure : Tokyo Stock Exchange, TDnet (After disclosure, to be displayed on Fibergate's IR web page.)