

# Corporate Governance Report

Digital Garage, Inc.

Last updated on June 30, 2023

Digital Garage, Inc.

Kaoru Hayashi

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Contact: 03-6367-1111

Securities Code: 4819

<https://www.garage.co.jp/en/>

The corporate governance of Digital Garage, Inc. (the "Company") is as follows:

## **I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information**

### **1. Basic Views**

In accordance with the following "Principle" and "Credo," the Company is working to enhance and strengthen its corporate governance to realize transparent, fair, rapid and decisive decision-making in order to live up to the trust of its shareholders and other stakeholders, as well as to achieve sustainable growth and increase corporate value over the medium- to long- term.

<Principle>

Think for yourself and question authority.

<Credo (Behavioral Philosophy) >

- TENACITY Have a strong will
- OPENNESS Question your common sense
- INTEGRITY Stay straight
- AGILITY Be agile
- COURAGE Be brave

Based on these "Principle" and "Credo," we have created a number of first-of-its-kind Internet businesses in Japan by incubating businesses with investments, etc. by utilizing our two revenue bases, namely, marketing technology, which anticipates the trends of the world, and the provision of highly reliable financial technology. In particular, our mission is to create new contexts at the interface between real space and cyberspace. The Company's mission is "Integrating Technology × ESG × Incubation with the First Penguin Spirit, and continuously creating sustainable "business context" from an earth-centric perspective."

Group's basic approach and policy on corporate governance is described in the "Corporate Governance Basic Policy" on the Company's website (<https://www.garage.co.jp/en/company/corporate-governance/>).

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

The Company implements all of the principles of the Corporate Governance Code.

### **[Disclosure in Accordance with the Principles of the Corporate Governance Code] Updated**

[Principle 1-4: Strategic Holdings]

As a company that creates useful "contexts" for the world, we sometimes hold our shares for the purpose of collaborating with various companies based on long-term, stable strategic alliances. In examining our strategic shareholdings, we examine them in detail to determine whether or not they will contribute to the enhancement of our corporate value over the medium to long term through the strengthening of relationships and the creation of synergies, and we consult with the Board of Directors when necessary, including the sale of shares. When exercising the voting rights of our policy-holding shares, we exercise them in an appropriate manner after comprehensively considering whether or not they will contribute to improving the medium- to long-term corporate value of the issuing company and the Company.

[Translation]

The Company has sold some stocks during the fiscal year ended March 31, 2023 and has determined that it is appropriate to hold all shares held by the Company as of the end of the fiscal year ended March 31, 2023, based on a comprehensive judgment from the perspectives of improving corporate value and maintaining and strengthening relationships with investees over the medium- to long-term.

[Principle 1-7: Related Party Transactions]

The Company appropriately monitors transactions with related parties by approving and reporting on the transactions at the Board of Directors' meeting to ensure that such transactions do not harm the Company or the common interests of shareholders.

[Principle 2-4: Ensuring Diversity for Promotion in Core Human Resources]

(1) Human Resource Development Policy

The Company considers "Human Resource" as an intangible asset for business growth of the Group.

Systematical development of talent pool to drive business growth will improve the probability of leading to business success. In particular, the Company strives to create human resources who can embody the business with technology. The Company is operating "DG25," a selective human resource development program for the middle management layer, who are potential executive leadership with promoting awareness of its purpose in the employees.

Aiming for "enhancement of human resource education," the Company has established various educational and training programs for all employees, providing the opportunities for self-understanding and learning, and self-growth. Recently, to strengthen the relationships between the Company and individuals, and between managers and members, the Company focuses on the development and operation of the programs for enhancement of management skills based on "psychological safety."

Through personnel transfers across the Company and its businesses, the Company strives to acquire new abilities for human resources and the organization and take the initiatives to continuously provide "new growth opportunities and creation of challenges." Specifically, through centralized-management of skills and experiences of the employees with a talent management tool, the Company strategically allocates its human resources, formulates development plans, and operates programs such as "Raise Your Hand," an internal recruitment system, to create the opportunities for proactive challenges for the next generation leaders and "Career Shift," a system for matching-type personnel transfers, to seek for important businesses and new growth opportunities.

Accepting people with various strengths openly, developing and promoting them, the Company aims to further enhance its creativity and continue to grow.

(2) Diversity of Human Resources

The Company has been implementing talent recruitment based on their abilities and expertise regardless of such factors as gender, nationality, or career, etc. since its establishment. And the Company fosters diversity by hiring human resources with different cultures, values, and skills as its core personnel. As a result, "Career Recruitment" accounts for 89.7% of the entire recruitment. Also, "the percentage of female employees" has reached 39.5%, and the Company will proactively promote the active participation of female employees in the workplace, improve the work environment and implement supportive policies.

The Company operates on a global base with "foreign national employees" (3.3%) as well as bilingual human resources (25.3%) and the personnel "who were brought up in foreign countries or have studied abroad" (13.8%). The Company will strengthen investment in foreign venture capitals or entrepreneurs to implement new technologies on a global scale as well as dialogue and relationships with stakeholders through regional development and revitalization of local communities in Japan.

To achieve the Group's new medium-term plan, collaboration among its Group companies, segments, and employees is important. The Company has conducted the engagement surveys since the fiscal year of 2022 in the entire Group. The Company aims to visualize its challenges for the employees in terms of diversity of human resources from the fiscal year of 2023 and further enhance internal communication within the Group.

(3) Improvement of Internal Working Environment

For "creating a comfortable working environment," the Group takes initiatives to improve discretionary working style and work-life balance by leveraging remote and flextime work systems and enhancement of welfare benefits and various systems. With the end of COVID-19 pandemic, working on-site is attempted to accelerate communication, collaboration and co-creation among the employees and the percentage of remote working is 53.8%, switching to hybrid-type working styles of remote and on-site. In the perspective of "achieving QQL (Quality of Life) through work," the Company conducts people analytics using data from talent management, monitoring working hours, health management, and employer engagement surveys to prevent accidents or diseases.

[Translation]

The Company periodically monitors the employees' engagement to their work, the workplace and the Company through conducting engagement surveys to understand the organizational conditions. The Company reviews if individual characteristics are fully leveraged, the working environment and organization system are well-established, the employees can receive proper support from their supervisors, there is a proper level of trust with top management, the system for human resources is properly operated, and the burden on work or human relationship is not excessive and utilizes the results to improve organization and corporate management. Also, the Company will promote organizational development toward an ideal organizational image with "Management Policy of Human Resources," outlining what the Company commits to the individuals (the employees) and what the Company asks them to do, to strengthen the relationship between the employees and the organization.

[Principle 2-6: Exercising the Function of an Asset Owner of a Corporate Pension Plan]

We do not have a corporate pension fund system. In order to ensure stable asset formation for our employees, we have introduced a corporate defined contribution pension plan.

[Principle 3-1: Enhance Information Disclosure]

(1) Management Philosophy, Management Strategy and Management Plan

The Company's management philosophy, management strategy and management plan are available on the Company's website (<https://www.garage.co.jp/en/>) and in its annual securities report.

The Group announced on May, 2023, the medium-term plan, starting from the fiscal year ending March, 2024. Having set a key word of "Recurring Shift" as Phase II of the Group strategy, "DG FinTech Shift," which integrates payments and data, the Company aims for social implementation of "NEW CONTEXT" by consolidating the Group's business assets centered on the payment platform and collaborating with strategic partners and investees.

(2) Basic Policy on Corporate Governance

Please refer to "I. 1. Basic Views" in this report.

(3) Policies and Procedures for Determining Directors' Remuneration

Please refer to "II. 1. Items Related to Organizational Structure and Management, [Directors] Disclosure of Policy for Determining Remuneration Amounts of Calculation Methods Thereof" in this report.

(4) Policies and Procedures for Determining Candidates for Election and Dismissal as Directors

Candidates for the election of directors (excluding members of the Board of Corporate Auditors and outside directors) should be of excellent character and insight and should have knowledge and experience that will enable them to execute the Company's management accurately, fairly and efficiently. President Executive Officer shall draft and submit a proposal to the Nomination and Remuneration Advisory Committee from the perspective of whether or not the candidate is capable of providing advice on all aspects of the company's operations and appropriately reflecting the opinions of stakeholders, including minority shareholders, from an independent standpoint at the Board of Directors, and President Executive Officer shall consult with the Nomination and Remuneration Advisory Committee on the candidate's proposal based on the Committee's report. This decision is made by a resolution of the Board of Directors. Candidates for the appointment of directors as Audit and Supervisory Committee members shall be drafted by President Executive Officer and referred to the Nomination and Remuneration Advisory Committee from the viewpoint of whether or not they have excellent character and insight, as well as the knowledge and experience to accurately, fairly and efficiently audit the execution of duties by directors. The Board of Directors will decide on this proposal by a resolution of the Board of Directors, after obtaining the consent of the Audit and Supervisory Committee. In the event of a serious violation of law or the Articles of Incorporation, significant lack of eligibility, or other reasons for dismissal under the Director's Regulations, the Board of Directors shall decide whether or not to submit a proposal for the dismissal of a Director to the General Meeting of Shareholders.

(5) Explanation of Individual Elections, Dismissals and Nominations of Senior Management and Nominations of Director Candidates

Reasons for the election and dismissal of individual director candidates will be disclosed in the notice of the General Meeting of Shareholders.

[Supplementary Principle 3-1(3): Disclosure of Sustainability Initiatives, etc.]

[Basic Policy on Sustainability]

[Translation]

The Group's has a purpose of "Designing 'New Context' for a sustainable society with technology." In accordance with emergence of various social problems and transformation of stakeholders' values, the Company recognizes the necessity of sustainability management and promotes social implementation of "New Context" from an ESG and sustainability perspective.

The Group has declared "Earthshot" based on the idea, "There are no boundaries on the earth as seen from space and all human beings are parts of the ecosystems," and has started the initiatives for ESG. Also, the Company invests in and incubates ESG related startups through "Earthshot Fund," considering social, technical and environmental changes that are occurring on a global scale.

To realize sustainability management, the Company believes that the engagement with various stakeholders including shareholders and investors as well as employees, investees, alliance partners, business partners and local community is significantly important. The Group will strive to contribute to realization of a sustainable society and enhance its corporate value over the medium- to long-term.

[Investment in Human Capital]

In order for the Company to accomplish sustainable growth in the future while external environment continues to change, it is essential to develop a global organizational structure that is capable of change and to secure and educate talented and diverse human resources. Openly accepting and training human resources with various strengths allow the Company to expand the field width of its growth and to improve creativity. Based on these ideas, the Company has promoted employees' deeper understanding of its purpose as well as the human resources training program "DG 25" for employees in middle managerial positions, started from 2021.

[Investment in Intellectual Property]

The Company recognizes intellectual properties as significant management resources that support growth for the maximization of its corporate value. Intellectual properties include infrastructure facilities like software for payment services, know-how of digital ads operation, the Company's own global incubation network and know-how, algorithms developed by DG Lab, insights gained through demonstration testing, other business model patents, trademark rights, and so on.

The Company believes its mission as the Context Company is to organically connect these intellectual properties with various companies, people, information, and cutting-edge technologies through new contexts and create new businesses that are useful to society.

[Addressing Climate Change (Disclosure in accordance with the TCFD Framework)]

The Company recognizes that climate change, which will have a significant impact on the earth, human beings, and corporate activities, poses both risks and new business opportunities for the Company Group.

The Company aims to realize a sustainable society through collaboration with each business segment, investees and strategic partners and taking appropriate responses to climate change.

Based on the TCFD framework, the Company discloses "Governance," "Strategy," "Risk Management," and "Metrics and Targets" on the Company's website.

<https://www.garage.co.jp/en/sustainability/environment>

[Supplementary Principle 4-1(1): Scope of Delegation to Management]

The Board of Directors decides on matters stipulated by laws and regulations and the Articles of Incorporation, as well as matters stipulated in the Regulations of the Board of Directors. Other decisions on business execution are delegated to the Management Committee and full-time directors and corporate officers, and the details of these decisions are defined in the internal rules of the Executive Committee and the Rules for Internal Approval.

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

The Company has appointed six independent outside directors, who provide appropriate supervision and advice to the Company's overall management based on their own knowledge and experience from an independent perspective.

[Principle 4-9: Criteria for Judging the Independence of Independent Outside Directors and their Qualifications]

The Company appoints the Company's independent outside directors from among those who have no conflicts of interest with the Company and who do not have any conflicts of interest with general shareholders, referring to the requirements of the Companies Act and the criteria for determining independence established by the Tokyo Stock Exchange and other bodies, while noting that they are expected to play an objective and appropriate supervisory or auditing role based on their own knowledge and experience.

[Translation]

[Supplementary Principle 4-10(1): Structure of Voluntary Nomination and Remuneration Advisory Committee]  
Please refer to “II. 1. Items Related to Organizational Structure and Management, [Voluntary committee] Committee’s Name, Composition, and Chairperson’s Attributes, and Supplementary Explanation.

[Supplementary Principle 4-11(1): Views on Balance Between Knowledge, Experience, and Skills of the Board as a Whole, Diversity and Board Size]

The number of directors (excluding directors who are Audit and Supervisory Committee members) is 10 or less, and the number of directors who are Audit and Supervisory Committee members is 5 or less. In order to effectively fulfill the roles and responsibilities of the Board of Directors, the Board of Directors not only has a well-balanced level of knowledge, experience, and competence as a whole, but also recognizes that diverse perspectives, such as those of women and foreign nationals, contribute to the promotion of business and supervision of management, and the Board of Directors appoints women and people from companies and organizations with international operations as directors. We strive to be composed of human resources. Skill matrix that summarizes each board member’s expertise and experiences is shown on “V. Other Matters” in this report.

[Supplementary Principle 4-11(2): Directors’ Concurrent Positions as Officers of Other Listed Companies]

The status of directors’ concurrent positions as officers of other listed companies is disclosed in the Notice of General Meeting of Shareholders and the Annual Securities Report. Some of the Company’s directors serve concurrently as outside directors, outside auditors, and other officers of listed companies other than the Company, but we believe that their service is limited to a reasonable degree.

[Supplementary Principle 4-11(3): Analysis, Evaluation and Disclosure of the Effectiveness of the Board of Directors as a Whole]

Based on each director’s self-evaluation, the Board of Directors analyzes and evaluates the effectiveness of the Board of Directors in terms of its composition and operation, deliberations, roles and responsibilities, the roles and responsibilities of the Nomination and Remuneration Advisory Committee, and the status of compliance with the Corporate Governance Code. As a result of the evaluation for the fiscal year ended March 31, 2023, we confirmed that the effectiveness of the Board of Directors as a whole has been sufficiently ensured. In particular, we evaluated that active discussions were held toward the realization of the Company’s group strategy, "DG FinTech Shift," and in the area of human resource development, the "DG 25" training program for middle management was promoted.

We will continue to discuss succession planning and supervision of human resource development as issues to be considered in order to further enhance the effectiveness of the Board of Directors. In addition, we will continue to practice management with an awareness of cost of capital and cash flow, enhance monitoring of business execution, and deepen discussions on management foundations, including group management, business portfolio management, company-wide risk management system, DX strategy, and sustainability.

[Supplementary Principle 4-14(2): Training Policy for Directors]

Directors are committed to acquiring and honing the knowledge necessary to properly fulfill their expected roles and responsibilities. To this end, the Company provides directors with training opportunities from time to time at the Company’s expense that are useful for the acquisition of necessary knowledge.

[Principle 5-1: Policy on Constructive Dialogue with Shareholders]

In order to promote constructive dialogue with our shareholders, we are working to develop systems and initiatives in accordance with the following basic policy.

1. The officer in charge of information disclosure shall be the officer who oversees all dialogue with shareholders and, to the extent reasonable, the directors shall handle dialogue with shareholders. In addition, the officer in charge of information disclosure shall be in charge of the relevant departments within the Company and shall coordinate with other departments on a daily basis.
2. We will strive to understand the structure of our shareholders and enhance the means of dialogue (e.g., holding individual interviews in Japan and abroad, holding financial results and individual investor briefings, etc.).
3. Opinions received in dialogue with shareholders are fed back to the Board of Directors and are used to enhance corporate value.
4. When engaging in dialogue with shareholders, the Company shall strive to prevent the leakage of undisclosed material facts in accordance with the internal rules for preventing insider trading.

[Translation]

## 2. Capital Structure

Foreign shareholder ratio	30% or more
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### [Major Shareholders] Updated

Name	Number of shares held (shares)	Ratio (%)
The Master Trust Bank of Japan (Trust Accounts)	7,414,700	16.09
Kaoru Hayashi	6,851,700	14.87
JCB Co., Ltd.	2,364,500	5.13
Dentsu Group Inc.	2,348,000	5.10
BNP PARIBAS LONDON BRANCH FOR PRIME BROKERAGE SEGREGATION ACC FOR THIRD PARTY	1,950,000	4.23
Custody Bank of Japan, Ltd. (Trust Accounts)	1,809,366	3.93
GOLDMAN SACHS INTERNATIONAL	980,208	2.13
Resona Holdings, Inc.	952,000	2.07
Toshiba Tec Corporation	949,500	2.06
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	837,009	1.82

Controlling shareholders (excluding parent company)	-
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Parent company	None
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### Supplementary Explanation Updated

Schroder Investment Management (Japan) Limited and the following three co-owners written below held the following shares as of May 31, 2022 according to the large-volume holding report, which became available for public inspection on June 6, 2022. However, since the Company cannot confirm the actual number of shares owned as of March 31, 2023, it is not included in the above list of major shareholders. The details of the large-volume holding report are as follows.

- Schroder Investment Management (Japan) Limited Number of shares held: 1,360,200 (2.86%)
- Schroder Investment Management North America Limited Number of shares held: 355,900 (0.75%)
- Schroder Investment Management (Switzerland) AG Number of shares held: 251,311 (0.53%)
- Schroder Investment Management Limited Number of shares held: 644,400 (1.36%)

JPMorgan Asset Management (Japan) Limited and the following three co-owners written below held the following shares as of November 15, 2022 according to the large-volume holding report, which became available for public inspection on November 18, 2022. However, since the Company cannot confirm the actual number of shares owned as of March 31, 2023, it is not included in the above list of major shareholders. The details of the large-volume holding report are as follows.

- JPMorgan Asset Management (Japan) Limited Number of shares held: 637,200 (1.34%)
- JPMorgan Securities Japan Co., Ltd. Number of shares held: 9,622 (0.02%)
- J.P. Morgan Securities plc Number of shares held: 337,740 (0.71%)
- J.P. Morgan Securities LLC Number of shares held: 76,620 (0.16%)

Lazard Asset Management LLC held the following shares as of November 15, 2022 according to the large-volume holding report, which became available for public inspection on November 22, 2022. However, since the Company cannot confirm the actual number of shares owned as of March 31, 2023, it is not included in the above list of major shareholders. The details of the large-volume holding report are as follows.

[Translation]

•Lazard Asset Management LLC Number of shares held: 2,296,800 (4.83%)

Mizuho Securities Co., Ltd. and the following two co-owners written below held the following shares as of November 30, 2022 according to the large-volume holding report, which became available for public inspection on December 7, 2022. However, since the Company cannot confirm the actual number of shares owned as of March 31, 2023, it is not included in the above list of major shareholders. The details of the large-volume holding report are as follows.

•Mizuho Securities Co., Ltd. Number of shares held: 649,752 (1.34%)  
•Asset Management One Co., Ltd. Number of shares held: 1,950,000 (4.02%)  
•Mizuho Securities International plc Number of shares held: 0 (0.00%)

Oasis Management Company Ltd. held the following shares as of December 16, 2022 according to the large-volume holding report, which became available for public inspection on December 21, 2022. However, since the Company cannot confirm the actual number of shares owned as of March 31, 2023, it is not included in the above list of major shareholders. The details of the large-volume holding report are as follows.

•Oasis Management Company Ltd. Number of shares held: 4,456,341 (9.26%)

Nomura Securities Co., Ltd. and the two co-owners written below held the following shares as of December 30, 2022 according to the large-volume holding report, which became available for public inspection on January 10, 2023. However, since the Company cannot confirm the actual number of shares owned as of March 31, 2023, it is not included in the above list of major shareholders. The details of the large-volume holding report are as follows.

•Nomura Securities Co., Ltd. Number of shares held: 2,285,471 (4.58%)  
•Nomura International plc Number of shares held: 492,493 (0.98%)  
•Nomura Asset Management Co., Ltd. Number of shares held: 1,278,700 (2.69%)

Fidelity Investments (Japan) Limited held the following shares as of February 28, 2023 according to the large-volume holding report, which became available for public inspection on March 7, 2023. However, since the Company cannot confirm the actual number of shares owned as of March 31, 2023, it is not included in the above list of major shareholders. The details of the large-volume holding report are as follows.

•Fidelity Investments (Japan) Limited Number of shares held: 2,500,100 (5.25%)

### 3. Company Attributes

Listed stock market and market section	Tokyo Stock Exchange, Prime Market
Fiscal Year-End	March
Industry	Information & Communication
Number of employees (consolidated) as of the end of the previous fiscal year	More than 500 persons, less than 1000 persons
(Consolidated) sales in the previous fiscal year	More than 10 billion yen and less than 100 billion yen
Number of consolidated subsidiaries as of the end of the previous fiscal year	More than 10 companies and less than 50 companies

[Translation]

#### 4. Guidelines for Measures to Protect Minority Shareholders in Transactions, etc. with Controlling Shareholders

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#### 5. Other Special Circumstances that Could Have a Significant Impact on Corporate Governance

Not applicable.

## II. Status of Management Organization for Management Decision-Making, Execution and Supervision, and Other Corporate Governance Systems

### 1. Items Related to Organizational Structure and Management

Organizational form	Company with Audit and Supervisory Committee
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#### [Directors]

Maximum number of directors stipulated in articles of incorporation	15
Term of office of directors in articles of incorporation	1 year
Chairperson of the board of directors	President
Number of directors	13
Appointment of outside directors	Appointed
Number of outside directors	6
Number of outside directors designated as independent directors	6

#### Relationship with the Company (1) **Updated**

Name	Attribute	Relationship with the company(*)										
		a	b	c	d	e	f	g	h	i	j	k
Makoto Sakai	Attorney at law								○			
Emi Omura	Attorney at law											
Hiromi Ozaki	From another company											
Junji Inoue	From another company											
Koji Makino	Certified public accountant											
Shuma Uchino	From another company											

\* Selections about relationship with the company

\* “○” when the Director presently falls or has recently fallen under the category

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

\* “●” when a close relative of the Director presently falls or has recently fallen under the category

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

a. Executive of a listed company or its subsidiaries

b. Executive or non-executive director of the parent company of a listed company

c. Executive of sibling companies of listed companies



[Translation]

- d. A person who does business with a listed company as a principal customer or an executor of such business
- e. Major clients of the listed company or its executive officers
- f. Consultants, accounting and legal professionals who have received significant money or other assets from a listed company in addition to directors' remuneration
- g. Major shareholders of the listed company (or, if such major shareholder is a corporation, the person who executes the business of such corporation)
- h. Executive of the listed company's counterparties (who do not fall under any of d, e and f) (in person only)
- i. Executive of companies with which outside directors and corporate auditors have a mutual appointment relationship (for the individual only)
- j. Executive of the company to which the listed company is donating (in person only)
- k. Others

**Relationship with the Company (2) Updated**

Name	Audit and Supervisory Committee member	Independent director	Supplementary explanation of compliance items	Reasons for appointment
Makoto Sakai		○	Makoto Sakai serves concurrently as Representative of the Sakai Makoto Law Office. Although the Company has entered into an advisory agreement with the Sakai Makoto Law Office, the remuneration paid by the Company to the Sakai Makoto Law Office for advisory services in the fiscal year ended March 2023 was less than 4million yen (less than 0.01% of the consolidated revenue of the Company) and as low as approximately 5% of annual revenue of the Sakai Makoto Law Office.	Although Makoto Sakai has not been involved in corporate management other than having served as an outside officer, he has considerable experience and expertise as attorney-at-law. As Outside Auditor and Outside Director who is an Audit and Supervisory Committee Member of the Company, he has provided us with valuable opinions and suggestions concerning business management of the Company from the legal perspective. The Company therefore expects him to continue contributing to appropriate oversight of business operation of the Company and ensuring its sound business management. He is designated as an independent director because he has no conflicts of interest with the Company, is highly independent, and has been judged to have no risk of conflict of interest with general shareholders.
Emi Omura		○	---	Although Emi Omura has not been involved in corporate management other than having served as an outside officer, she has experience in global work environment through her post at an international institution in addition to her wealth of experience and expertise as attorney-at-law. As Outside Director of the Company, she has provided us with valuable opinions and suggestions concerning business management of the Company from a broader perspective. The Company therefore expects her to continue contributing to appropriate oversight of business operation of the Company and ensuring its sound business management. She is designated as an independent director because she has no conflicts of interest with the Company, is highly independent, and has been judged to have no risk of conflict of interest with general shareholders.

[Translation]

<p>Hiromi Ozaki</p>	<p>○</p>	<p>○</p>	<p>---</p>	<p>Hiromi Ozaki has profound expertise and experience in art, design, technology, diversity and inclusion, etc. Deeming that she has provided valuable opinions and suggestions from her expert perspectives, especially in the context of the web3 movement and ESG, the Company therefore expects her to continue contributing to appropriate oversight of business operation for promoting sustainable management of the Company and ensuring its sound business management.</p> <p>She is designated as an independent director because she has no conflicts of interest with the Company, is highly independent, and has been judged to have no risk of conflict of interest with general shareholders.</p>
<p>Junji Inoue</p>	<p>○</p>	<p>○</p>	<p>---</p>	<p>Junji Inoue has a wealth of overseas business experience, and as Outside Auditor and Outside Director who is an Audit and Supervisory Committee Member of the Company, he has provided us with valuable opinions and suggestions concerning business management of the Company from a global perspective. Deeming that he can continue to provide oversight and advice concerning the business execution of the Board of Directors from his specialist perspective, and that he can be expected to contribute to appropriate oversight of business operation of the Company and ensure its sound business management. He is designated as an independent director because he has no conflicts of interest with the Company, is highly independent, and has been judged to have no risk of conflict of interest with general shareholders.</p>
<p>Koji Makino</p>	<p>○</p>	<p>○</p>	<p>---</p>	<p>Although Koji Makino has not been involved in corporate management other than having served as an outside officer, he has a wealth of experience and expertise as certified public accountant and consultant. In addition, as Outside Auditor and Outside Director who is an Audit and Supervisory Committee Member of the Company, he has provided us with valuable opinions and suggestions concerning business management of the Company from an accounting perspective. Deeming that he can continue to provide oversight and advice concerning the business execution of Directors from specialist perspectives, and that he can be expected to contribute to appropriate oversight of business operation of the Company and ensure its sound business management. He is designated as an independent director because he has no conflicts of interest with the Company, is highly independent, and has been judged to have no risk of conflict of interest with general shareholders.</p>

[Translation]

Shuma Uchino	○	○	---	<p>Shuma Uchino has extensive insight concerning corporate management and financial accounting. Deeming that he can use that insight to provide oversight and advice concerning the business execution of Directors from his specialist perspectives pertaining particularly to management and administration, and that he can be expected to contribute to appropriate oversight of business operation of the Company and ensure its sound business management, the Company nominated him as a candidate for Outside Director who is an Audit and Supervisory Committee Member. He is designated as an independent director because he has no conflicts of interest with the Company, is highly independent, and has been judged to have no risk of conflict of interest with general shareholders.</p>
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### [Audit and Supervisory Committee]

#### Committee Composition and Attributes of Chairperson

	Total committee members	Full-time members	Internal directors	Outside directors	The Chair
Audit and Supervisory Committee	4	1	1	3	Internal director

Existence of directors and employees to assist the Audit and Supervisory Committee in its duties	None
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#### Supplementary Explanation

Although the Company does not have full-time staff to assist the Audit and Supervisory Committee members in their duties, the internal directors who are also Audit and Supervisory Committee members collaborate with the Internal Audit Office to audit and supervise the Company, so the Company believes it is functioning well under its current system.

#### Coordination among the Audit and Supervisory Committee, Accounting Auditor and Internal Audit Department Updated

The Audit and Supervisory Committee and the accounting auditors aim to improve the effectiveness and efficiency of the audit by exchanging information and opinions. Specifically, the Audit and Supervisory Committee and the accounting auditors meet regularly once a quarter to exchange opinions on whether there are any audit-related issues or not and to discuss future issues. In addition, the Company has a system whereby meetings are held as needed.

The Company has established an Internal Audit Office (5 people) to audit the Company and its group companies. The Internal Audit Office reports the results of internal audits to the Audit and Supervisory Committee on a regular basis and maintains a close relationship with the Audit and Supervisory Committee. In addition, the Internal Audit Office and the accounting auditors aim to improve the effectiveness and efficiency of audits by exchanging information and opinions.

[Translation]

## [Voluntary committee]

Establishment of a discretionary committee equivalent to a Nomination Committee or Remuneration Committee	Established
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### Committee's Name, Composition, and Chairperson's Attributes

	Name of the Committee	All committee members	Standing committee	Internal director	Outside director	External expert	Other	The Chair
A voluntary committee equivalent to a Nominating Committee	Nomination and Remuneration Advisory Committee	3	0	1	2	0	0	Outside director
A voluntary committee equivalent to the Remuneration Committee	Nomination and Remuneration Advisory Committee	3	0	1	2	0	0	Outside director

### Supplementary Explanation **Updated**

For the purpose of strengthening the independence and objectivity of the Board of Directors' functions in relation to the nomination and remuneration of directors, and to further strengthen corporate governance, the Company has established the Nomination and Remuneration Advisory Committee, a voluntary advisory committee of the Board of Directors, consisting of at least three members who are directors and a majority of whom are independent outside directors. The Committee is composed of three members: Representative Director, Kaoru Hayashi, Independent Outside Director, Junji Inoue, and Independent Outside Director, Koji Makino. The Committee deliberates and submits its report on the election of directors and the compensation of directors (excluding Audit and Supervisory Committee members) in consultation with President Executive Officer.

Chairperson is to be selected from the committee member who is an Independent Outside Director by the resolution of the Nomination and Remuneration Advisory Committee.

## [Independent Directors]

Number of independent directors	6
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### Matters Related to Independent Directors

The Company designates all outside directors who meet the qualifications of independent directors as independent officers.

[Translation]

## [Incentives]

Implementation of measures to provide incentives to directors

Introduction of a stock option system, others

### Supplementary Explanation

Regarding incentives for the Company's directors (excluding directors who are Audit and Supervisory Committee members and outside directors), the 21st Annual General Meeting of Shareholders, held on September 29, 2016, resolved to increase the linkage between director compensation and the Company's stock price, and to share with shareholders not only the benefits of a rise in the stock price but also the risks of a decline in the stock price, thereby encouraging them to contribute to improving business performance and corporate value over the medium to long term. The Company has received approval to allot stock acquisition rights as stock options for stock-based compensation in order to raise the total number of stock acquisition rights to be issued within 250 million yen per year and the total number of stock acquisition rights to be issued shall not exceed 100,000.

In addition, in order to provide incentives for the sustained enhancement of the Company's corporate value and to further promote the sharing of value between the directors and shareholders, the Company has obtained the approval for the payment of restricted stock compensation of up to 100 million yen per fiscal year in effect with a maximum limit of 40,000 shares per year.

Recipients of stock options

Internal directors, employees, directors of subsidiaries, corporate officers of subsidiaries, employees of subsidiaries

### Supplementary Explanation

The reason why directors (excluding Audit and Supervisory Committee members and outside directors) are eligible for this grant is to increase the linkage between directors' compensation and the Company's stock price, and to share with shareholders not only the benefits of a rise in the stock price but also the risks of a decline in the stock price, thereby further motivating directors to contribute to improving business performance and corporate value over the medium- to long-term.

The reason why corporate officers and employees of the Company, as well as directors and employees of the Company's subsidiaries, are eligible for the grants is to increase their willingness to contribute to the medium- to long-term improvement of the Group's business performance and corporate value by linking the Company's business performance to the benefits received by the Company's corporate officers and employees, as well as directors and employees of the Company's subsidiaries.

## [Director's Remuneration]

Disclosure of (individual directors') remuneration

Some of them are disclosed individually.

### Supplementary Explanation **Updated**

Remuneration to Directors (Fiscal Year Ended March 31, 2023)

Total remuneration to Directors: 709 million yen

- Of the above, remuneration for Directors (excluding Audit and Supervisory Committee members and outside directors) is 618 million yen (Number of directors: 7)
- Of the above, remuneration for directors (Audit and Supervisory Committee members but excluding outside directors) is 38 million yen (Number of directors: 1)
- Of the above, remuneration for outside directors is 54 million yen (Number of directors: 7)

[Translation]

There were six directors (excluding Audit and Supervisory Committee members and outside directors), one director (Audit and Supervisory Committee members but excluding outside directors), and six outside directors as of the fiscal year ended March 31, 2023.

Those whose total amount of consolidated remuneration, etc. is 100 million yen or more are separately disclosed in the 28th Annual Securities Report.

Policy for determining remuneration amounts or calculation methods thereof

Established

#### Disclosure of Policy for Determining Remuneration Amounts of Calculation Methods Thereof

The maximum amount of remuneration, etc. for the Company's directors, as resolved at the 21st Annual General Meeting of Shareholders held on September 29, 2016, is not more than 500 million yen per year for directors (excluding Audit and Supervisory Committee members), of which 50 million yen for outside directors, excluding the employees' salaries. Apart from this amount of remuneration, the amount of remuneration for stock acquisition rights allocated to directors (excluding Audit and Supervisory Committee members and outside directors) as stock options for stock-linked compensation is not more than 250 million yen per year, and the amount of remuneration for granting restricted stock allocated to directors (excluding Audit and Supervisory Committee members and outside directors) is not more than 100 million yen per fiscal year in effect.

The maximum amount of remuneration for the Company's directors (Audit and Supervisory Committee members), as resolved at the 21st Annual General Meeting of Shareholders held on September 29, 2016, is not more than 100 million yen per year.

The Company's Board of Directors resolved the Company's determination policy for the details of remuneration, etc. for each director (excluding Audit and Supervisory Committee members) based on the Company's past operation of remuneration, etc.

The amount and details of remuneration of the directors who are Audit and Supervisory Committee members are determined by the Audit and Supervisory Committee through consultation, within the limits of the total amount resolved at the General Meeting of Shareholders.

The following is an overview of the Company's Remuneration Regulations regarding the determination of details of the amount of remuneration, etc. for each director.

##### i. Significant Matters Regarding the Determination of Details of Remuneration, etc. for Each Director

The basic determination policy of the remuneration, etc. for each director is to set the ratio of stock-based compensation relatively higher in order to increase the linkage between director compensation and the Company's stock price, and to share with shareholders not only the benefits of a rise in the stock price but also the risks of a decline in the stock price, thereby encouraging them to contribute to improving business performance and corporate value over the short-, medium-, and long-term.

##### ii. Matters Regarding the Determination of Remuneration, etc. for Each Director

###### A. Base Remuneration (Remuneration, etc. Excluding Performance-linked Compensation, etc., Non-monetary Compensation, etc.)

The following is a determination policy of the Company's base remuneration excluding performance-linked compensation, non-monetary compensation, etc. (hereinafter referred to as "base remuneration").

- a. The total amount of base remuneration shall be resolved at the General Meeting of Shareholders and decided within the limits of the resolved amount.
- b. The base remuneration of the Company's directors is monetary-compensation. Ranks of directors and compensation amount and its composition for each rank are established, and the amount is decided within the limits of the compensation amount and its composition established for each rank of directors.

###### B. Performance-linked Compensation, etc.

The Company does not grant performance-linked compensation, etc.

C. Non-monetary Compensation, etc.

The following is a determination policy of the Company's non-monetary compensation, etc. (hereinafter referred to as "stock compensation").

- a. Stock compensation is composed of stock options (hereinafter referred to as "SO") that are the same value as the monetary claim of remuneration-type stock options (stock acquisition rights) in which the exercise price per share is set at 1 yen, and restricted stock (hereinafter referred to as "RS"), that are the same value as the monetary claim of restricted stock. Directors receive the stock acquisition rights and restricted stock by compensating with the monetary claim of SO or RO. The gross amount of each SO and RS are to be resolved at the General Meeting of Shareholders, and decided within the limits of compensation amount and its composition established for each rank of directors fixed by the resolution of the Company's Board of Directors.
  - b. The remuneration amount of SO for each individual shall be estimated by multiplying the fair value of 1 stock acquisition right calculated based on stock price, exercise price on the allotment date, and other conditions by the total number of allotted stock acquisition rights.
  - c. The remuneration amount of RS for each individual shall be estimated by multiplying the monetary claim for 1 stock, that is not too advantageous to a directors who receive RS, decided by the Company's Board of Directors, by the number of allotted RS shares. The monetary claim for 1 stock is to be based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the previous business day of the resolution of RS grants by the Company's Board of Directors (apply the last closing price if not decided on the market on the same day).
  - d. RS owes transfer restrictions for the fixed-period of 1 to 5 years decided by the Company's Board of Directors, and directors shall not transfer, set up a guarantee, or execute other dispositions of RS during the period.
- iii. Determination Policy of the Ratio of Base Remuneration, Performance-linked Remuneration, Non-monetary Remuneration, etc.
- A. Directors Expect for Outside Directors  
Ratio of base remuneration and stock compensation shall be largely 60% base remuneration and 40% stock compensation (of which, 30% SO, 10% RS)
  - B. Outside Directors  
Only base remuneration is provided.
- iv. Timing to Grant Remunerations, etc. or the Determination Policy of Terms
- A. Base Remuneration  
Compensation amount and number of grant stocks for each individual will be resolved at the Company's Board of Directors right after the resolution of election of directors at the General Meeting of Shareholders, and remuneration amount divided the annual remuneration by 12 will be paid on a monthly basis from the next month of installation or reappointment.
  - B. Stock Compensation  
Compensation amount and number of grant stocks for each individual will be resolved at the Company's Board of Directors right after the resolution of election of directors at the General Meeting of Shareholders.
- v. If the Determination of Remuneration, etc. for Each Individual is Entrusted to a Third Party (Including Re-entrusting to the Representative Director)
- A. Name or position entrusted to determine remuneration, etc.: President Executive Officer
  - B. Rights to be entrusted: For the decision of remuneration, etc. for each individual, President Executive Officer shall draft and submit a proposal, within the limits of the total amount of remuneration, etc. resolved at the General Meeting of Shareholders, to the Nomination and Remuneration Advisory Committee.

[Translation]

If it is resolved by the Company's Board of Directors to entrust the determination of remuneration to the President Executive Officer with the proposal based on the advice given by the Nomination and Remuneration Advisory Committee, the President Executive Officer will decide the remuneration, etc. for each individual.

C. If measures for the exercise of authority by the person in charge are to be taken, their contents

- a. President Executive Officer shall draft and submit a proposal of remuneration, etc. for each individual, within the limits of the total remuneration, etc. resolved at the General Meeting of Shareholders, to the Nomination and Remuneration Advisory Committee, and the Remuneration Advisory Committee will give advice to the President Executive officer.
- b. The Nomination and Remuneration Advisory Committee shall be composed of three committee members, of which outside directors take the majority. Chairperson is decided from those outside directors by the resolution of the Nomination and Remuneration Advisory Committee.

vi. Determination Method of Remuneration, etc. for Each Individual

President Executive Officer shall draft and submit a proposal of remuneration, etc. for each individual to the Nomination and Remuneration Advisory Committee within the limits of the total remuneration, etc. resolved at the General Meeting of Shareholders, utilizing the external data, etc. President Executive Officer will decide the contents of remunerations, etc. based on the advice given by the Nomination and Remuneration Advisory Committee.

## [Support System for Outside Directors]

Support for the Company's outside directors is provided by the Corporate Division. Specifically, the Corporate Division is responsible for notifying the Board of Directors of meetings, confirming attendance, and circulating and sealing the minutes of the meetings. In addition, as a system for communicating information to outside directors, in the event that an agenda item requiring a resolution or report is to be presented to the Board of Directors, the gist of the item is individually explained to the outside directors in advance to enable them to exchange opinions and make a resolution at a Board of Directors meeting. In addition, when it is deemed necessary to report or discuss other matters, the Board of Directors basically meets with the outside directors, and when this is not possible, reports and consultations are made individually by e-mail or telephone.

## 2. Items Related to Functions of Business Execution, Auditing and Supervision, Nomination, and Determination of Remuneration (Overview of the Current Corporate Governance System)

**Updated**

The Board of Directors makes important management decisions and supervises the directors in the execution of their duties, and the Audit and Supervisory Committee audits the directors' performance of their duties. In addition, the Management Committee, consisting of full-time directors and corporate officers, meets regularly to ensure that decisions are made quickly in the execution of operations.

The following is an overview of the Company's management decision-making, execution and supervision system.

- Board of Directors

The Company's Board of Directors consists of nine directors (excluding directors who are Audit and Supervisory Committee members), three of whom are outside directors, and four directors who are Audit and Supervisory Committee members (including three outside directors). In addition to regular monthly meetings, extraordinary meetings of the Board of Directors are held flexibly when necessary to make important management decisions and supervise the directors' execution of their duties. In addition, the outside directors are responsible for monitoring management from an objective standpoint by utilizing their extensive management experience and broad-based insights.

- Audit and Supervisory Committee

The Company's Audit and Supervisory Committee consists of four directors (including three outside directors), and in principle, the Audit and Supervisory Committee meets once a month after the regular Board of Directors meeting, and attends meetings of the Board of Directors and other important meetings to express its opinions in an effort to improve the effectiveness of corporate governance.



[Translation]

- **Management Committee**

The Company's management committee, which consists of President Executive Officer and directors and corporate officers, etc. appointed by President Executive Officer, meets weekly. Through these meetings, the Company aims to confirm the day-to-day execution of business operations, speed up decision-making, and improve its corporate value.

- **Accounting Auditors**

The Company has entered into an audit contract with Ernst & Young ShinNihon LLC and has been audited in accordance with the Financial Instruments and Exchange Law and the Companies Act, and appropriate audits have been conducted as necessary. The names of the certified public accountants who performed the audit work for the Company are as follows

Names of the certified public accountants who conducted the work

Designated and Engagement Partner Junichiro Tsuruta

Designated and Engagement Partner Hayato Kobayashi

- **Nomination and Remuneration Advisory Committee**

For the purpose of strengthening the independence and objectivity of the Board of Directors' functions in relation to the nomination and remuneration of directors, and to further strengthen corporate governance, the Company has established the Nomination and Remuneration Advisory Committee, a voluntary advisory committee of the Board of Directors, consisting of at least three members who are directors and a majority of whom are independent outside directors. The Committee is composed of three members: Representative Director, Kaoru Hayashi, Independent Outside Director, Junji Inoue, and Independent Outside Director, Koji Makino. The Committee deliberates and submits its report on the election of directors and the compensation of directors (excluding Audit and Supervisory Committee members) in consultation with President Executive Officer.

- **Overview of Contents of the Contract for Limitation of Liability**

In accordance with paragraph 1, Article 427 of Companies Act, the Company has entered into a contract with the Company's Non-executive Directors for limited liability stipulated in paragraph 1, Article 423. Limit of liability for damages is the minimum liability amount provided in the Companies Act. This limited liability is applicable only when the Company's Non-executive Directors perform their duties in good faith and do not cause serious negligence.

- **Overview of Contents of the Directors' and Officers' Liability Insurance Contracts**

The Company has concluded a directors' and officers' liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act. The outline of the contents of the policy, etc. are as follows.

- i. **Scope of insured**

Directors, auditors, corporate officers, etc. of the Company and its consolidated subsidiaries

- ii. **Outline of the contents of the insurance contract**

The insurance policy shall cover legal damages and costs of litigation to be incurred by the insured under the said insurance policy. However, as a measure to ensure that the insured's performance of his/her duties is not compromised, coverage is not provided for claims for damages arising from illegal provision of personal benefits or favors, claims for damages arising from criminal acts of the insured, or claims for damages arising from acts committed by the insured that the insured knew were in violation of laws and regulations. The premiums are borne entirely by the Company, and there is virtually no premium burden on the insured.

### **3. Reasons for Choosing the Current Corporate Governance System**

The Company has positioned the strengthening of its corporate governance system as one of its key management issues.

In order to increase the effectiveness of management oversight by the Board of Directors, the ratio of outside directors to the Board of Directors will be at least one-third, thereby further strengthening corporate governance. In addition, we are reviewing the corporate officer system to clarify the separation of management decision-making and supervisory functions from business execution functions and promoting the delegation of business execution authority in order to speed up and improve the efficiency of business execution.

### III. Status of implementation of Measures Concerning Shareholders and Other Stakeholders

#### 1. Efforts to Revitalize the General Meeting of Shareholders and Facilitate the Exercise of Voting Rights **Updated**

	Supplementary explanation
Early dispatch of Notice of General Meeting of Shareholders	The notice of the 28th Ordinary General Meeting of Shareholders is sent out 21 days prior to the date of the General Meeting of Shareholders. It is also posted on the Tokyo Stock Exchange and the Company's website 23 days prior to the date of the General Meeting of Shareholders.
Setting up a shareholder meeting to avoid a concentrated date	The 28th Ordinary General Meeting of Shareholders was held on June 23, 2023, a date that avoids the so-called concentrated date for shareholders' meetings.
Exercise of Voting Rights by Electromagnetic Means	In order to improve convenience for shareholders, from the 21st Annual General Meeting of Shareholders, voting rights can be exercised by electromagnetic means.
Participation in an electronic voting platform and other efforts to improve the voting environment for institutional investors	In order to improve the voting environment for institutional investors in Japan and abroad, we have been participating in the electronic voting platform since the 21st Annual General Meeting of Shareholders.
Provision of the notice of convocation (summary) in English	An English version of the convocation notice is prepared and posted on the Company's website.

#### 2. Status of IR activities

	Supplementary explanation	Explanation by representative
Creation and publication of Disclosure Policy	The Company has established a disclosure policy and publishes it on its website.	
Regular briefings for individual investors	In principle, the Company plans to hold a briefing session for individual investors once a year.	Yes
Periodic briefings for analysts and institutional investors	The Company holds financial results briefings in the second and fourth quarters. The contents of the briefings include financial reports by the representative director and presentation of future business strategies for analysts and institutional investors. In addition, IR meetings with domestic and foreign institutional investors are held after the announcement of quarterly financial results four times a year.	Yes
Holding regular briefings for overseas investors	Several times a year, we attend conferences for overseas investors to explain our business performance, etc.	No
Posting of IR materials on our website	Timely disclosure materials are posted on the Company's website immediately after disclosure. In addition, a library of previously disclosed materials is available on the Investor Relations section of the Company's website. In addition, the Company holds briefings for analysts and institutional investors on its second quarter financial results and this earnings release and discloses materials from these briefings to the Timely Disclosure Service and posts them on the Company's website.	
Establishment of an IR department (person in charge)	The Corporate Division has a department in charge of IR with five people in charge of IR. The director in charge of the Division is the director in charge of IR, and the Head of the Corporate Division is responsible for IR liaison.	

### 3. Efforts to Respect the Stakeholder's Position

	Supplementary explanation
Formulation of policies on the provision of information to stakeholders	<p>The Company strives to provide all of its stakeholders, including shareholders and investors, with prompt information on the basis of transparency, fairness and continuity.</p> <p>The Company's basic policy is to disclose information in accordance with the Financial Instruments and Exchange Law and the timely disclosure rules of the Tokyo Stock Exchange.</p> <p>The Company will proactively disclose as much information as possible in a timely manner, even if it is not covered by the Timely Disclosure Rules, if it is deemed to be useful in gaining a better understanding of the Company.</p> <p>In addition, the Company has established an English-language version of its corporate website and has produced English-language versions of the Notice of General Meeting of Shareholders, financial results briefing materials, and important press releases in an effort to enhance information disclosure in English.</p>

## **IV. Matters Related to Internal Control Systems, etc.**

### **1. The Basic Concept and Status of the Internal Control System**

As for the Company's internal control system, the Board of Directors has passed a resolution on the basic policy for establishing an internal control system and has been developing it. The Company's basic approach to its internal control system is as follows.

#### **a. Basic Policy for the Execution of Duties**

The following "Principle" and "Credo" are the basic policies for all officers (directors, corporate auditors or their equivalents) and employees (employees, contract workers, contract workers, temporary workers and others engaged in the Company's business) in the execution of their duties.

##### **<Principle>**

Think for yourself and question authority.

##### **<Credo (Behavioral Philosophy) >**

- TENACITY Have a strong will
- OPENNESS Question your common sense
- INTEGRITY Stay straight
- AGILITY Be agile
- COURAGE Be brave

Based on these "Principle" and "Credo," the Company has established a system to ensure that all officers and employees of the Group comply with laws and regulations and make appropriate decisions and take appropriate actions with high ethical standards.

#### **b. Basic Policy on Internal Control**

In accordance with the Companies Act, the Ordinance for Enforcement of the Companies Act, and the Financial Instruments and Exchange Act, the Company shall establish a system to ensure the appropriateness of its operations (hereinafter referred to as "internal control") as follows.

(1) Systems to Ensure that the Execution of Duties by Directors and Employees (hereinafter referred to as "Directors and Employees") of the Company and directors, etc. (hereinafter referred to "Directors, etc." as defined in Article 110-4, Paragraph 2, Item 5 (a) of the Ordinance for Enforcement of the Companies Act) and employees of the Company's subsidiaries comply with laws and regulations and the Articles of Incorporation

All Directors and Employees of the Company, as well as Directors, etc. and employees of the Company's subsidiaries, are required to act with integrity based on the ethics and values expected of them as members of society. Based on this recognition, the Company has established the Compliance Program as a specific code of conduct to be applied to its Directors and Employees, as well as Directors, etc. and employees of the Company's subsidiaries, to ensure fair and appropriate management and harmony with civil society through strict compliance with social norms, ethics, and laws and regulations.

In addition, to ensure that the Company, as an operating holding company, is fully compliant, each division of the Company and the Company's subsidiaries are classified according to business segment and other categories ("Business Segments"), and the General Manager of the Corporate Division oversees the compliance efforts of each business division and the Company's subsidiaries on a cross-sectional basis. The Corporate Division's personnel will work with each business unit and subsidiary to educate and enlighten Directors and Employees of the Company and Directors, etc. and employees of its subsidiaries.

The Company's Board of Directors oversees each business unit and operating company within the Group by business segment, and the Corporate Division audits or understands the compliance status of each business unit and Group company by business segment. The Company's directors and the Corporate Division shall report regularly on these activities to the Company's Board of Directors and the Company's Audit and Supervisory Committee.

With respect to acts, etc., that raise questions about legal compliance within the Group, the Company has employees of each Group company contact the Compliance Committee Secretariat or a law firm that serves as an outside point of contact for matters that may have a significant impact on the Company and its Group companies, as well as legal compliance status, in addition to the legal requirements. In addition, the Company's Compliance Committee shall promptly report the information received from a reporter to President Executive Officer and the Director, who is a member of the Audit and Supervisory Committee.

[Translation]

The Company shall not have any relationship with antisocial forces that threaten the order and safety of civil society and shall reject any unreasonable demands from antisocial forces.

(2) System for the Storage and Management of Information Related to the Execution of Duties of the Company's Directors

The directors of the Company shall properly record, store and manage information relating to the execution of duties by the directors of the Company in documents or electromagnetic media (hereinafter referred to as "Documents and Others") in accordance with the internal rules for document management and other regulations. In accordance with the Document Management Rules, the person responsible for management shall maintain access to these Documents and Others to the directors, etc. of the Company (including directors who are Audit and Supervisory Committee members) as necessary.

(3) Rules and Other Systems to Manage the Risk of Loss for the Company and its Subsidiaries

The Corporate Division prepares rules and guidelines to address compliance, information security and disaster-related risks for Directors and Employees of the Company and Directors, etc. and employees of its subsidiaries. In addition, the Corporate Division prepares and distributes manuals and conducts training for the efficient functioning of these rules and guidelines at the Company and its subsidiaries, as well as monitoring and operating the risks. In addition, the Board of Directors shall promptly appoint a director or corporate officer to be responsible for responding to any new risks that arise.

(4) Systems to Ensure the Efficient Execution of Duties by the Directors of the Company and the Directors, etc. of the Company's Subsidiaries

The Board of Directors of the Company shall establish objectives that shall be shared by all directors and employees of the Group, the director or corporate officer in charge of each business segment shall set specific objectives for the achievement of such objectives in cooperation with the head of each business segment and the directors of the Company's subsidiaries in each business segment, and each business segment and the Company's subsidiaries shall determine efficient methods for achieving such objectives.

The Board of Directors of the Company shall periodically review the progress and advise, through the director or corporate officer in charge of each business unit and the directors of the Company's subsidiaries in each business unit, as well as encourage improvements as necessary, in order to establish a system to improve the efficiency of the Group's operations.

(5) System to Ensure the Appropriateness of the Business Operations of the Corporate Group Consisting of the Company and its Subsidiaries

The Company classifies each of its business divisions and subsidiaries into business categories and appoints a director or corporate officer to be in charge of each business category. The director or corporate officer in charge of each business segment is responsible for ensuring that the Board of Directors or the Executive Committee of the Company's Board of Directors and the Executive Committee work to improve operational efficiency, ensure legal compliance and appropriate risk management systems for each business segment and the Company's subsidiaries, as well as monitoring these systems. In addition, the Corporate Division shall promote these systems across the board and regularly review and manage their progress. While respecting the autonomy of the management of each company in the Group, the Company shall receive regular reports on its business activities.

(6) Matters Related to Directors and Employees who are to Assist the Duties of the Audit and Supervisory Committee, Matters Related to the Independence of Such Employees from Directors (Excluding Directors who are Audit and Supervisory Committee Members) and Matters Related to Ensuring the Effectiveness of Instructions to Such Employees

The Audit and Supervisory Committee of the Company may order employees of the Internal Audit Office to perform their duties, and employees who receive necessary orders from the Audit and Supervisory Committee shall not concurrently serve as employees of other departments, and with respect to such orders, they shall act solely under the direction and orders of the Audit and Supervisory Committee to serve as directors of the Company (directors who are Audit and Supervisory Committee members). The Company shall not be subject to the orders and instructions of the Audit and Supervisory Committee (except for those of the Company). In addition, the Audit and Supervisory Committee staff shall be assigned to assist the Company's Audit and Supervisory Committee as necessary.

The Board of Directors of the Company (excluding directors who are Audit and Supervisory Committee members) and the Audit and Supervisory Committee of the Company shall exchange opinions on such personnel matters.

[Translation]

(7) Systems for Reporting to the Company's Audit and Supervisory Committee by Directors (Excluding Directors who are Audit and Supervisory Committee Members), Accounting Advisors, and Employees of the Company, as well as by Directors, Accounting Advisors, Corporate Auditors, Executive Officers, Employees who Execute Operations of the Company's Subsidiaries, and Other Persons and Employees of the Company's Subsidiaries who Perform their Duties as Defined in Article 598-1 of the Companies Act or Other Persons who are Equivalent to These Persons or who Receive Reports from These Persons (hereinafter referred to as "Directors, employees, etc."), other systems for reporting to Audit and Supervisory Committee, and systems for ensuring that those who have reported to Audit and Supervisory Committee are not subjected to any adverse treatment on account of their reporting

- i. As soon as possible, directors (excluding directors who are Audit and Supervisory Committee members), accounting advisors and employees of the Company and Directors, employees, etc. of the Company's subsidiaries shall report to the Audit and Supervisory Committee on matters that may have a significant impact on the Company and the Group, as well as on the status of compliance, in addition to matters required by law. The Company shall have a reporting system in place. The method of reporting (e.g., reporter, recipient, timing of reporting, etc.) shall be determined through consultation between the directors of the Company (excluding directors who are Audit and Supervisory Committee members) and the Audit and Supervisory Committee of the Company.
- ii. The Company shall ensure that the reporter will not be subjected to any disadvantageous treatment as a result of the report described in the preceding paragraph and shall ensure that all officers and employees within the Group are aware of this system.

(8) Other Systems to Ensure that the Audits of the Audit and Supervisory Committee of the Company are Conducted Effectively

The Company's Audit and Supervisory Committee and the Company's directors (excluding directors who are Audit and Supervisory Committee members) shall set up periodic meetings to exchange views to ensure that the Audit and Supervisory Committee's audits are conducted effectively.

(9) System to Ensure the Reliability of Financial Reporting

The Company shall establish and promote the establishment and operation of an internal control system to ensure the reliability of the financial reporting of the Company and the Group.

(10) Matters Relating to the Procedure for the Advance Payment or Reimbursement of Expenses Incurred in the Performance of the Duties of the Audit and Supervisory Committee of the Company and Other Matters Relating to the Treatment of Expenses or Liabilities Incurred in the Performance of Such Duties

- i. If Audit and Supervisory Committee of the Company makes a request to the Company for advance payment of expenses, etc. pursuant to Article 399-2, Paragraph 4 of the Companies Act as a result of the execution of its duties, the Company shall promptly process such expenses and liabilities after deliberation by the department in charge, unless it is determined that the expenses and liabilities related to such request are not necessary for the execution of Audit and Supervisory Committee's duties.
- ii. If the Company's Audit and Supervisory Committee requests its own outside experts (attorneys, certified public accountants, etc.) to serve as advisors to the Audit and Supervisory Committee, the Company shall bear the cost of such advisors, unless they are deemed not necessary for the execution of the Audit and Supervisory Committee's duties.

Under such a system, the Company will strive to ensure the legality and efficiency of its operations and manage risks, while constantly reviewing its internal control system in response to changes in the socioeconomic situation and other environmental conditions, in order to establish a more appropriate internal control system.

## **2. Basic Approach to the Elimination of Antisocial Forces and the Status of its Development**

Based on the Compliance Program, the Group's basic policy is to have no relationships with antisocial forces and to firmly reject any unreasonable demands from antisocial forces.

In addition, the Corporate Division has been designated as the department in charge of overseeing the response to anti-social forces, and in order to prepare for unreasonable demands by anti-social forces, the Company has been working to establish close relationships with external specialist organizations, such as the police and lawyers, on a regular basis.



[Translation]

In addition, the Company has appointed a person in charge of preventing undue demands, collecting information on anti-social forces and participating in seminars and other activities.

## V. Other Matters

### 1. Adoption of Anti-takeover Measures

Adoption of Anti-takeover Measures

Not Adopted

#### Supplementary Explanation

##### Basic Policy on Control of the Corporation

##### (1) Basic Policy on Control of the Company

As a listed company, the Company believes that shareholders of the Company are determined through free trading in the market, and even in cases where a large-scale purchase of the Company's shares is conducted by a large-scale purchaser, it is ultimately up to the shareholders who hold the Company's shares to decide whether or not to accept the large-scale purchase and sell their shares. The Company believes that a Large-Scale Purchaser's involvement in the management of the Company is not necessarily detrimental to the corporate value of the Company, and if it leads to the improvement of the corporate value of the Company and, in turn, the common interests of its shareholders, the Company will not deny it. We do not deny that a large-scale acquirer's involvement in the management of the Company is not necessarily detrimental to the corporate value of the Company, as long as it leads to the improvement of the corporate value of the Company and, in turn, the common interests of its shareholders. However, there are many cases of unilateral large-scale purchases that are carried out without sufficient consultation and agreement processes with the target company and are considered inappropriate, such as those that do not provide sufficient information to shareholders regarding the purpose of the purchase or management policy after the acquisition, or those that do not provide sufficient time for the target company's board of directors to review the details of the large-scale purchase and to provide an alternative proposal.

We believe that those who control decisions on the Company's financial and business policies must understand the Company's purpose and build smooth relationships with various stakeholders to contribute to society, maximize the Company's corporate value, and ensure the common interests of shareholders. The Company's Board of Directors is of the opinion that a person who conducts a large-scale acquisition of the Company's shares that would unintentionally damage the corporate value of the Company and cause disadvantages to its shareholders is not an appropriate person to control decisions on the Company's financial and business policies. Therefore, the Company believes that a person who engages in a large-scale purchase that would inadvertently damage the corporate value of the Company and create a disadvantage for its shareholders is not an appropriate person to control decisions on the Company's financial and business policies.

##### (2) Efforts to Contribute to the Realization of the Basic Policy on Control of the Company

The Company aims to expand and improve the profitability of the Group's businesses as a whole, and by proactively creating businesses that will become pillars of the Group's future earnings, the Company aims to achieve its corporate value and, in turn, the common interests of its shareholders, and to encourage large numbers of investors to hold the Company's shares over the long term by taking the following measures. We are implementing the following.

##### a. The Company's Basic Management Policy

Our purpose is to design "new context" for a sustainable society with technology. The basic concept of our business is to be a "context company" that organically connects companies, people and information. By making effective use of our solutions know-how based on our experience from the dawn of the Internet industry and the latest network technology, we have been developing functions that organically connect various complex information and enhance the value of the three parties, companies, people and information. Our basic management policy is to build services that contribute to a comfortable society in which people, the environment and the digital information society can coexist in harmony, always keeping our eyes a few steps ahead of the times. Our basic management policy is to build services that contribute to a comfortable society in which people, the environment and the digital information society can coexist in harmony, by always keeping a perspective several steps ahead of the times and by calmly and accurately selecting the right contexts.

[Translation]

b. Medium- to Long-Term Initiatives to Enhance Corporate Value

Our mission and values are "to continuously create sustainable "business context" from an earth-centric perspective by integrating technology, ESG, and incubation with First Penguin Spirit," and we are committed to providing our clients with the latest Internet technology, marketing technology that is one step ahead of the trends in the world, and reliable and trustworthy services. We believe that creating new contexts at the point of contact between real space and cyberspace (virtual space), based on our advanced financial technology, will help to ensure and enhance our corporate value and, in turn, the common interests of our shareholders.

c. Measures to Prevent Inappropriate Persons from Controlling Decisions on Financial and Business Policies of the Stock Company

In the event of a Large-Scale Purchase of the Company's Shares, etc., the Company will strive to actively collect and disclose information in a timely and appropriate manner in order to secure the Company's corporate value and the common interests of its shareholders, and will take appropriate measures to the extent permitted by the Financial Instruments and Exchange Law, the Companies Act, other relevant laws and regulations, and the Company's Articles of Incorporation.

(3) The Board of Directors' Decision on the Above Initiatives

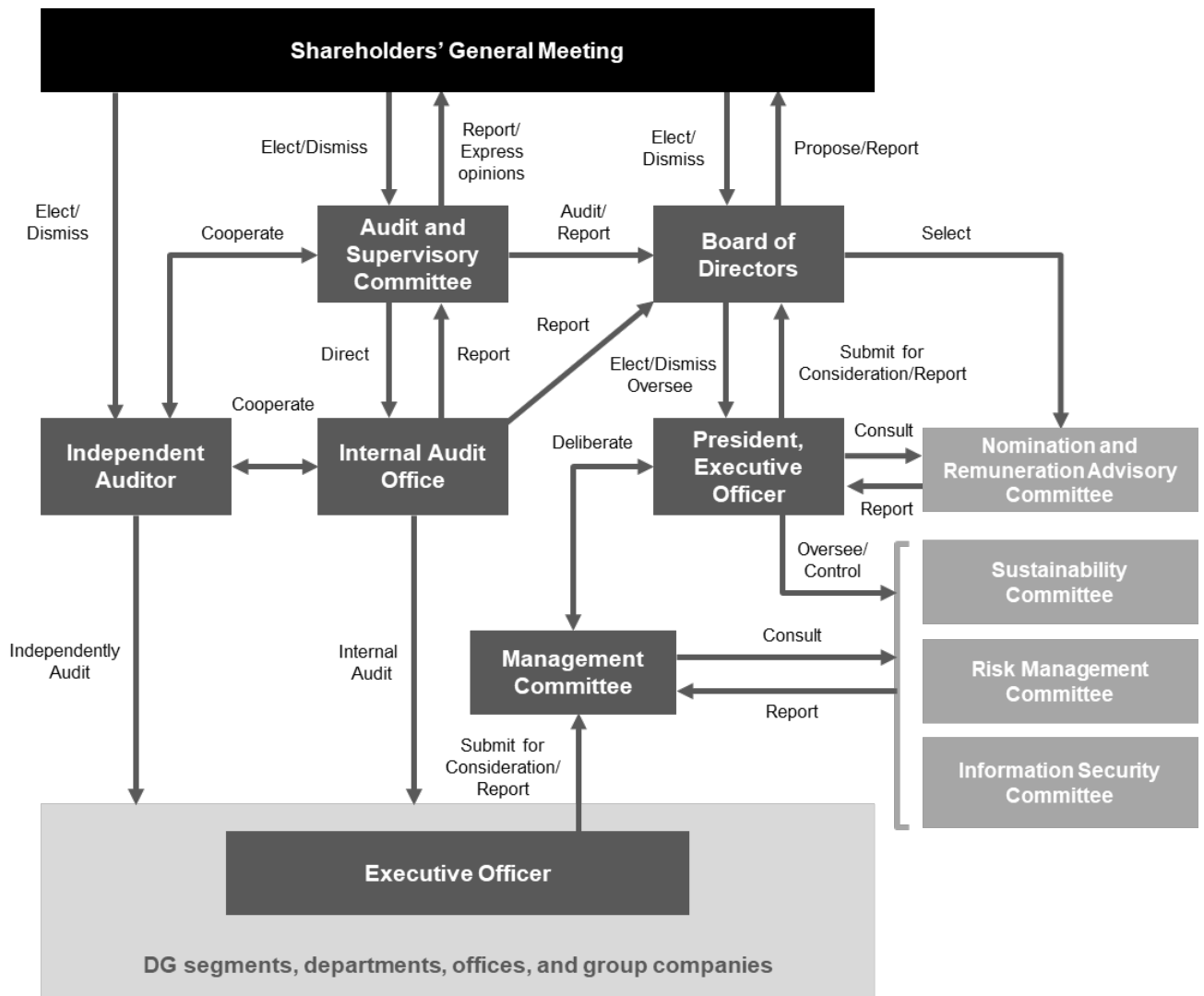
Each of the above initiatives is intended to enhance the corporate value of the Group and, in turn, the common interests of its shareholders, are not intended to maintain the status of the Company's officers, and are all in line with the basic policy described in (1) above.

## 2. Other Matters Related to the Corporate Governance System, etc.

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### Corporate Governance Organization Chart



[Translation]

## Expertise and Experiences of the Company's Board of Directors (Skill Matrix)

Name	Title	Business Development Related to the Business of the Company	Company Management	Knowledge of Fintech Payment	Global Business	Financial Accounting	Legal Compliance	Governance Risk Management	Human Resources/Organization/Diversity
<b>Kaoru Hayashi</b>	Representative Director	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>			<input type="radio"/>	
<b>Keizo Odori</b>	Director	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>		<input type="radio"/>	
<b>Masahito Okuma</b>	Director	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				
<b>Joichi Ito</b>	Director	<input type="radio"/>		<input type="radio"/>	<input type="radio"/>				<input type="radio"/>
<b>Hiroshi Shino</b>	Director	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>					
<b>Masashi Tanaka</b>	Director	<input type="radio"/>	<input type="radio"/>					<input type="radio"/>	
<b>Makoto Sakai</b>	Independent Outside Director						<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>Emi Omura</b>	Independent Outside Director						<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>Hiromi Ozaki</b>	Independent Outside Director	<input type="radio"/>			<input type="radio"/>				<input type="radio"/>
<b>Yasuyuki Rokuyata</b>	Director (Audit and Supervisory Committee Chairperson)	<input type="radio"/>	<input type="radio"/>				<input type="radio"/>	<input type="radio"/>	
<b>Junji Inoue</b>	Independent Outside Director (Audit and Supervisory Committee Member)		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				
<b>Koji Makino</b>	Independent Outside Director (Audit and Supervisory Committee Member)					<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
<b>Shuma Uchino</b>	Independent Outside Director (Audit and Supervisory Committee Member)		<input type="radio"/>			<input type="radio"/>		<input type="radio"/>	

The items checked do not represent all of the expertise and experience of each director.

## Overview of Timely Information Disclosure

