

# Corporate Governance

## Basic Approach

We believe that, as an enterprise made up of numerous stakeholders, the INTAGE Group has an important responsibility not only to improve business results but also to ensure the soundness, fairness and transparency of management.

Our corporate philosophy, “THE INTAGE GROUP WAY,” is the cornerstone of our management. To act consistent with that philosophy, the INTAGE Group’s “Ethical Charter” has been established as a set of guidelines that all of the Group’s executives and employees must follow in conducting business activities.

Based on this charter, the Group has formulated the INTAGE Group “Employee Code of Conduct,” which defines the basic attitude and behavior expected of employees. The Code of Conduct is instilled in the Group’s executives and employees to ensure that they carry out sound business activities in compliance with laws and regulations. In addition, the Group’s internal control system is managed in accordance with its “Basic Policy on Internal Control Systems.”

## Corporate Governance Basic Policy

On June 17, 2016, we formulated the Basic Policy on Corporate Governance. This policy statement defines our basic approach, structure, and management policy concerning corporate governance, with the objective of increasing corporate value through our sound business activities in adherence to compliance standards under our corporate philosophy “THE INTAGE GROUP WAY.” On December 14, 2018, in light of the revision of Japan’s Corporate Governance Code, we have partially revised the Basic Policy.



Please see details on the corporate website.

<https://www.intageholdings.co.jp/sustainability/governance/>

## Change in Governance

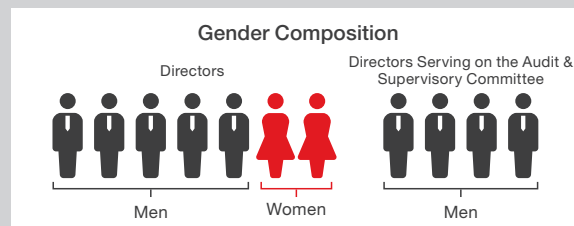
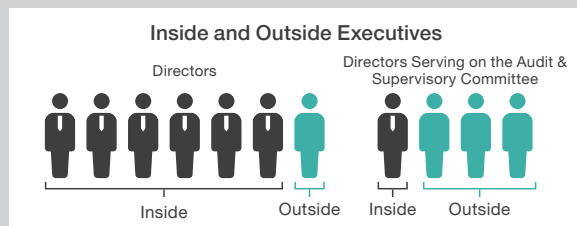
Since 2013 when we moved to a holding company structure, we have changed our corporate governance structure and system.

On June 17, 2016, we transitioned from being a company with a Board of Corporate Auditors to a company with an Audit & Supervisory Committee, with the objective of arranging an environment that supports appropriate risk taking on the business execution side. We have also aimed at strengthening the oversight and supervision function of the Board of Directors, accelerating decision-making through the delegation of authority, and raising the level of fairness, transparency, and effectiveness in business execution.

Since the transition to a company with an Audit & Supervisory Committee, we have been promoting optimal corporate governance, by adopting a performance-linked, share-based compensation plan, by implementing external evaluation concerning the evaluation of effectiveness of the Board of Directors, and by taking other measures, in accordance with the business and management environment.

- 2013 ▶ Moved to a holding company structure and changed the corporate name to INTAGE Holdings Inc.
- 2014 ▶ Adopted the performance-linked, share-based compensation plan
- 2015 ▶ Appointed a woman as director (outside director)
- 2016 ▶ Changed to a company with an Audit & Supervisory Committee
  - ▶ Implemented the first evaluation of effectiveness of the Board of Directors by external persons
  - ▶ The share of outside directors in the Board of Directors exceeded 30%
- 2019 ▶ Revised the performance-linked, share-based compensation plan
  - ▶ Increased the number of female directors to two
- 2020 ▶ Implemented the evaluation of effectiveness of the Board of Directors by external persons
  - ▶ Increased the number of directors from six to seven

### Composition of Management (September 2020)



## Corporate Governance Structure

The Board of Directors consists of seven directors (excluding directors serving as Audit & Supervisory Committee members; including one outside director), and four directors serving as Audit & Supervisory Committee members (including three outside directors). The Board identifies job authority and operations responsibility for directors, makes decisions on important matters, and oversees the execution of duties by directors. Based on the Board of Directors Regulations, the Board meets once a month and holds an extraordinary meeting when needed. As a body to report, discuss, and decide management policy, diverse measures, and various matters concerning business management, a Group Management Meeting is held once a month and is attended by directors (excluding directors serving as Audit & Supervisory Committee members), a full-time director serving on that committee, and executive officers. In addition, in order to support functions of the Board of Directors, report and discuss various matters, and enhance the efficiency of management, the Executive Committee meets every two weeks, with attendance by directors (excluding directors serving as Audit & Supervisory Committee members), a full-time director serving on that committee, and executive officers.

The Company has also established several committees: the Internal Control Committee, in order to promote internal control initiatives of the Group; the Crisis Management Committee, to respond to crises involving business operations of the Group; the Management System Committee, to further improve management systems of the Group; and the Information Security Committee, to identify and resolve information security issues.

The Audit & Supervisory Committee consists of four directors serving as Audit & Supervisory Committee members (including three outside directors). Ordinarily, they meet once a month. The committee strives to enhance its audit and supervisory functions concerning the management. For

example, a full-time director serving on the committee attends important meetings, such as the Internal Control Committee, and compiles opinions of the Audit & Supervisory Committee on reports of his work to other directors serving on the Audit & Supervisory Committee (outside directors).

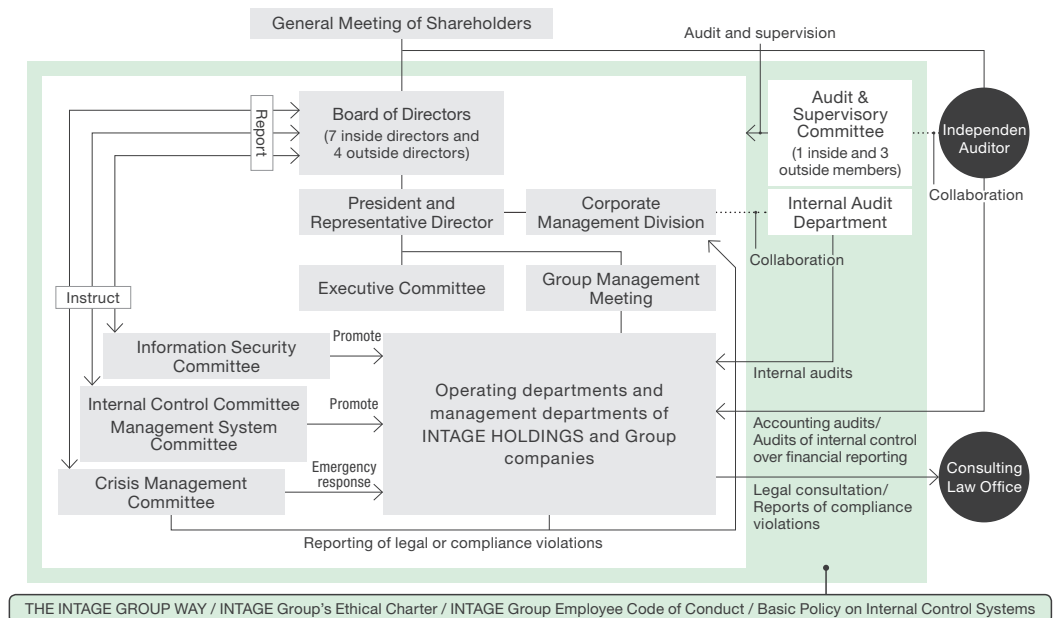
Further, directors serving as Audit & Supervisory Committee members attend, in addition to the

Board of Directors meetings, important meetings, such as the Group Management Meeting, Executive Committee, Internal Control Committee, Crisis Management Committee, Management System Committee, and the Information Security Committee, in order to understand the process of making important decisions and the status of execution of operations, inspect requests for approval and other important documents on execution of operations, and ask employees for explanations on an as-needed basis. They also understand the conditions of group companies, through collaboration with the Internal Audit Department, regular briefings from it, and communications with auditors of the INTAGE Group.

The Internal Audit Department, which is in charge of the Company's internal audits, consists of seven persons and conducts auditing of the Company and Group companies, from the perspective of whether the companies are fairly, appropriately, and effectively managed and execute operations, based on both shared management philosophy and policy as well as various rules. With regard to the audit process, the Department checks audit plans, execution of audits, reporting of audit results, and status of improvement, based on the Company's "Internal Audit Rules and Execution Standard."

The Audit & Supervisory Committee and the Internal Audit Department also hold regularly scheduled liaison meetings, with the aim of improving effectiveness and efficiency of audits by both. Liaison meetings confirm the audit policy and plan at the beginning of a fiscal year, and members closely collaborate by exchanging opinions on internal audit reports, during and at the end of the year.

Further, the members exchange opinions on audits and information on the status of audits with independent auditors. They also maintain close collaboration with the Internal Control Department that functions as the center of information on the status of these audits and related control activities.



## Evaluation Regarding the Effectiveness of the Company's Board of Directors (Fiscal 2019)

Each year, the Board of Directors analyzes and evaluates its effectiveness as a whole, by taking into consideration relevant matters, including the self-evaluation of each director, which is obtained by means of questionnaires and hearings, and a summary of the results is disclosed. In addition, the chairman of the Board of Directors regularly listens to opinions on the management of the Board from outside directors.

For fiscal 2019, according to a change of a fiscal year end from March 31 to June 30, interviews of 10 directors (six directors who are not serving as Audit & Supervisory Committee members and four directors serving as Audit & Supervisory Committee members) and the analysis of the results were conducted in August 2020.

In 2020 we invited an outside consultant to help us prepare and conduct interviews and analyze the results, in order to more objectively understand points for improvement with the ultimate objective of raising effectiveness of the Board of Directors. The results were reported by the consultant at the Board meeting in September and the Board confirmed the evaluation results and its plan for a future response.

According to the evaluation results, the Board is appropriately structured and ensures diversity, and it was confirmed that the Company's managerial issues were discussed in a cooperative atmosphere with each director on an equal basis. Directors also receive training and secure sufficient opportunities to communicate with each other other than at a Board meeting. The results therefore concluded that the effectiveness is ensured and has improved for assurance of appropriate conduct in the resolution of important managerial matters and supervision in execution of operations.

Given this evaluation of effectiveness, the Company will continue to implement and consider further improvement, such as reviewing the criteria for agenda items for the Board of Directors and submission of information to directors, so that the Board can exert its effectiveness to the maximum extent. The Company will also continue to consider further improvement on how the Board's functions or actions should be for enhancing corporate value.

### Comments from an Outside Director

**I am anticipating the INTAGE Group to further develop and contribute to society based on its understanding of consumers and customers.**

## Nomination and Compensation Committees

The Company has voluntarily established the Nomination Committee and the Compensation Committee and each meets twice a year on the same date. The member structure of both committees is the same.

In the Nomination Committee, independent outside directors play a leading role in deliberation and the President participates in the Committee as a member from the Company. Candidates for a position as director are evaluated and selected with the objective of making use of outside persons' insights concerning personnel development. Candidates for nomination as director (excluding directors serving as Audit & Supervisory Committee members) are so developed after being evaluated in aspects such as managerial performance, optimal allocation of managerial resources, and business prospects and preparation of the INTAGE Group. Candidates for directors with the assignment to serve as an Audit & Supervisory Committee member are evaluated in terms of their insights based on their current business and their performance.

The Compensation Committee deliberates on the logic of compensation mainly for directors engaged in business execution and reports the results to the Board of Directors. The Committee considers and evaluates whether the compensation scheme for these directors is consistent with the Company's actual situation and future vision. Its results are reported to the Board of Directors.

Eighteen months have passed since April 2019 when Mr. Noriaki Ishizuka became President of INTAGE Holdings and Ms. Ayumi Higaki became President of INTAGE Inc. During this period, the COVID-19 outbreak hit the entire world and has since been affecting us all up to today. This pandemic is so worrisome but I have been impressed by the INTAGE Group's smooth, consistent operation even during the change of its leadership or in the midst of social, economic turmoil, driven by the COVID-19 pandemic. In May 2020 INTAGE published a report "New Normal in life: With Corona/After

Outside Director  
Director and Vice President, Tokyo Keizai University  
**Shizue Kishi**

## Compensation of Directors

Compensation of directors (excluding directors serving as Audit & Supervisory Committee members and outside directors) consists of performance-based compensation and incentive compensation.

The performance-based compensation, equivalent to so-called basic compensation, is determined within the limits approved by the General Meeting of Shareholders, taking into consideration the INTAGE Group's operating performance and the degree of achievement of earnings targets, and given the discussion of the Representative Director and directors concerned. The incentive compensation is equivalent to stock compensation based on the performance-linked, share-based compensation plan, which is adopted upon approval by the General Meeting of Shareholders. Performance evaluation points are calculated by the performance evaluation committee, based on the degree of achievement of earnings targets and certain evaluation criteria.

In either type of compensation, specific details of benefits are determined by a separately-established committee concerning compensation, which consists of the President, directors serving as Audit & Supervisory Committee members, and outside directors, upon delegation by the Board of Directors.

With regard to compensation, etc. of outside directors and directors serving as Audit & Supervisory Committee members, only basic compensation is paid, given

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characteristics of their duties. The amount is determined within the limits approved by the General Meeting of Shareholders. Compensation for outside directors is based on a passed resolution of the Board of Directors, and compensation for directors serving as Audit & Supervisory Committee members is determined by their own discussion.

Concerning the stock compensation based on the performance-linked, share-based compensation plan, its continuation and partial revision were approved by a resolution by the Company's 47th General Meeting of Shareholders held on June 26, 2019 and by a separate General Meeting of Shareholders of the Company and domestic group companies. This compensation plan is used for directors of the Company and its domestic group companies (excluding outside directors and directors serving as Audit & Supervisory Committee members of the Company), and executive officers (excluding executive officers who are employees).

The plan grants points to each director and executive officer in accordance with his or her position and the extent of achievement of the earnings target for each fiscal year. In principle, the Company's shares (the Company's one common share per one point) and an amount of money based on the accumulated value of points granted are provided via a trust to each director and executive officer at the time of his or her retirement.

Corona" which summarized medium- to long-term themes concerning consumers' attitudes and behavior in the COVID-19 crisis in the form of nine themes. Such predictions that reflect the trend of the macro social and economic environment can be useful not only to client companies but also to society in general. Then in August 2020 INTAGE Holdings announced the Declaration to Achieve the SDGs. INTAGE advocated use of consumer-oriented data and showed a vision appropriate to a new era. The 13th Medium-Term Management Plan has made it clear that the INTAGE Group will not cling to the conventional segment definitions but will endeavor to generate group synergies in helping customers solve their business problems. INTAGE has shifted to a two-division structure that comprises of the Customer Business Drive Division and the Business Development Division, to be suitable for the new policy. I am anticipating further development of the INTAGE Group, as a corporate entity that deeply understands consumers and customers.

