



Governance

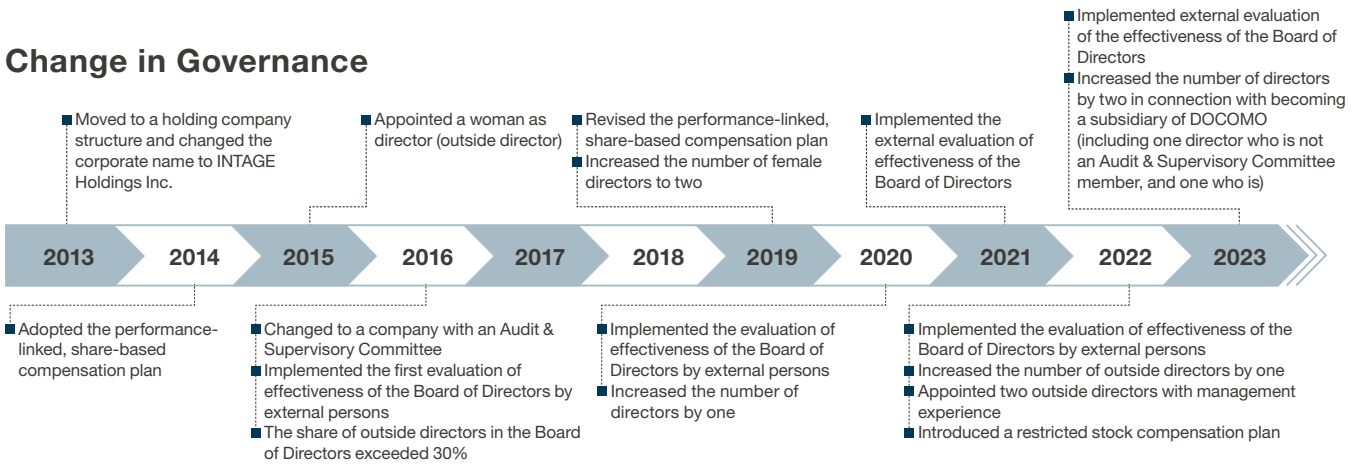
We are an enterprise that is viable thanks to a variety of stakeholders, including shareholders, customers, suppliers, employees and the local communities where we operate. We believe that our important responsibility is not only to improve business performance, but also to ensure the soundness, fairness, and transparency of management. Based upon this recognition, we strive to secure and enhance effective mechanisms for making transparent, fair, rapid, and decisive management decisions, and aim at sustainable growth and the improvement of medium- to long-term corporate value.

Basic Approach

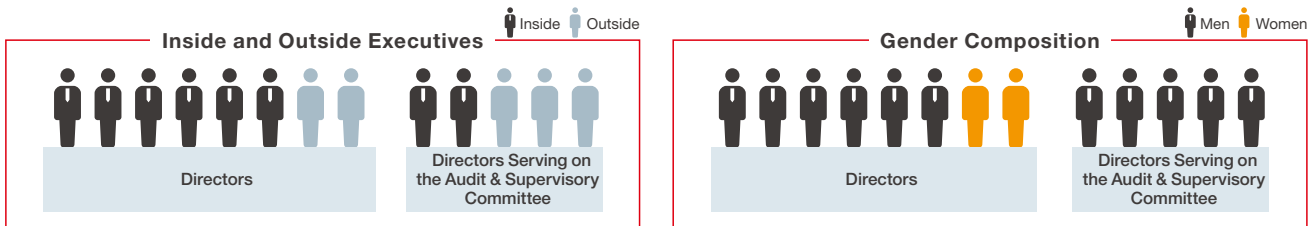
As an enterprise with many stakeholders, the INTAGE Group recognizes its solemn responsibility to not only improve business performance but to ensure the soundness, fairness and transparency of management. The INTAGE GROUP WAY, our Group vision, serves as the cornerstone of management. As the foundation of that vision, we have established the INTAGE Group Ethical Charter, which affirms to society at large our commitment to conduct business in accordance with laws, regulations and common sense.

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.”

Change in Governance



Composition of Management (As of January 2024)



Corporate Governance Structure

The Board of Directors consists of eight directors (excluding directors serving as Audit & Supervisory Committee members; including two outside directors), and five 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.

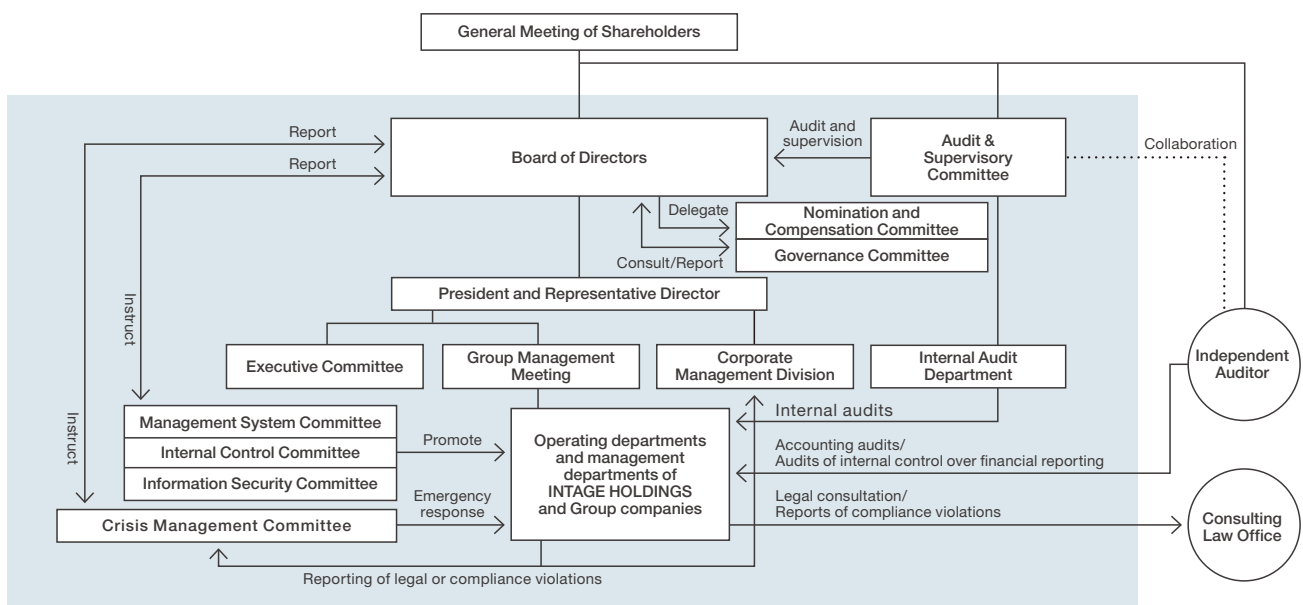
The Company has also established several committees: the Internal Control Committee, in order to promote internal control initiatives of the Group; the Crisis Management Committee, to respond to crises involving business operations of the Group; the Management System Committee, to further improve management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

The Audit & Supervisory Committee consists of five 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 eight 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. The committee and the Accounting Auditor also exchange opinions regarding audits and exchange information on the status of audits. The committee also works closely with the Internal Control Division, which works to integrate the status of these audits and its control activities.





Evaluation of the Effectiveness of the Board of Directors (Fiscal 2022)

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. (Article 21 of the Basic Policy on Corporate Governance)

For fiscal June 2022, Interviews of 12 directors (eight directors who are not members of the Audit & Supervisory Committee and four who are) and the analysis of the results were conducted in August 2022. Since 2020, we have been working with external consultants in order to objectively identify matters to be improved to further enhance the effectiveness of the Board of Directors. 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. This year, we prepared the questionnaire, made interviews, analyzed the response results, received a report from the external consultant at the Board of Directors meeting in September, and confirmed the evaluation results and measures to be taken.

The interviews were conducted from the same perspectives as the previous year, dealing with the composition and operation of the Board of Directors, strategy discussions, risk management, evaluations and compensation, and dialogue with shareholders and other stakeholders.

According to the evaluation results, based on a recognition that the composition and operation of the Board of Directors continues to be appropriate, it was confirmed that the Board of Directors discusses company management issues by

paying respect to the opinions expressed by independent outside directors. This is evidenced by independent outside directors presenting constructive opinions to top management in light of their knowledge and shareholder perspectives as needed, through sufficient explanations of meeting agenda items being provided to directors. The evaluation also found that the Board of Directors continues to ensure effectiveness in making decisions regarding key management matters and appropriately supervising the execution of business. This is evidenced by the Board maintaining appropriate compositions in the Nomination Committee and Compensation Committee with a focus on independent outside directors, by the sharing of information on the activities of each committee with the Board of Directors, and by reporting to the Board of Directors regarding dialogue with shareholders and other stakeholders, including the ensuing discussions.

However, to fully demonstrate the effectiveness of the Board of Directors in enhancing corporate value, the results reaffirmed the need for i) management strategy taking into account the external environment and other factors, ii) review of the business portfolio, iii) allocation of management resources (human capital, intellectual property, etc.), iv) sustainability, and v) the further enhancement of discussions regarding crisis response plans and other matters.

To further enhance discussions in light of these evaluation results, the Board of Directors will implement and consider further improvements and innovations, including the detailed examination of agendas for Board of Directors meetings (criteria for agenda items), and ongoing review of how information is provided to directors.

Expertise (skills) and experience of directors and executive officers (As of January 2024)

| Name | Corporate management | Business strategy | Finance and accounting | Personnel and labor affairs Human resource strategy | Global | IT / DX | ESG Diversity | Legal affairs and risk management | R&D Business development |
|---|----------------------|-------------------|------------------------|--|--------|---------|---------------|-----------------------------------|--------------------------|
| Noriaki Ishizuka | - | ● | | ● | | ● | ● | | ● |
| Yoshiya Nishi | - | ● | | ● | ● | | ● | | ● |
| Ayumi Higaki | - | ● | | | | ● | | | ● |
| Masaru Ohtakeguchi | - | ● | | ● | | | | | ● |
| Directors | | | | | | | | | |
| Toru Takeuchi | - | | ● | | | | | ● | |
| Hideki Ishibashi | - | ● | | | | ● | | | ● |
| Atsuhiko Imai | Outside Directors | ● | ● | | | | | ● | |
| Hiroko Watanabe | Outside Directors | ● | ● | | ● | | | | |
| Toshio Odagiri | - | ● | | | | | | ● | |
| Satoshi Nagai | - | ● | | ● | | ● | | | |
| Directors Serving as Audit & Supervisory Committee Members | | | | | | | | | |
| Hajime Nakajima | Outside Directors | | ● | ● | | | | ● | |
| Yuzo Miyama | Outside Directors | | ● | | ● | | | ● | |
| Shizuo Kashima | Outside Directors | | ● | | ● | | | ● | |

(Note) The area of specialization (skill) and experience of "Corporate management" covers Outside Directors only.

Outside director Message

Enhancing the responsibilities of outside directors and improving the quality of governance

Outside Director (Director serving as Audit & Supervisory Committee Member)
Attorney
Yuzo Miyama

The responsibilities of outside directors chiefly involve the monitoring and supervision of the executive side. However, sustainable corporate growth is not possible if actions are constantly put on hold. It is precisely when a company grows and its corporate value expands that the four benefits (being good for employees, good for business partners (customers), good for consumers and good for shareholders) are realized. From this perspective, it is not enough for outside directors to practice only defensive governance such as monitoring, supervision and pointing out risks; we also need to stimulate the executive side and be good critics and evaluators to enhance corporate value.

It has always been difficult for outside directors to cross words with the executive side on matters of manager due to specialist knowledge in an industry and asymmetries in internal corporate information. But it is possible to take a wide range of knowledge and insight from the outside and inject it into the company without worrying about internal ties and vested interests, and in doing so, it is not impossible to stimulate the executive side and offer hints on what to do. If we take that even further and discuss essential management issues (materialities) from diverse perspectives, it could be the ideal form of offensive governance. According to a fable, the carp in a pond had lost their splendor, but when catfish, their natural enemy, were introduced into the pond, the carp started to swim frantically, wary that the catfish could attack at any moment, and in doing so they regained their graceful appearance.



To expand corporate value, I hope to fulfill my responsibilities as an outside director by always keeping in mind the need to stimulate the executive side and offer them suggestions under conditions with a moderate sense of tension, and in doing so invigorate the Board of Directors and by extension the entire corporate organization.





Directors' Compensation (FY2022)

Compensation for directors (excluding outside directors and directors who are members of the Audit & Supervisory Committee) is made up of monetary compensation and stock-based compensation.

The percentages of these paid are determined by comprehensively taking into account a director's position and responsibilities, business performance, the degree of target achievement and so on. In addition, the percentage of compensation linked to medium- and long-term business performance and the proportions of monetary compensation to stock-based compensation are set as appropriate to ensure that the system functions as a healthy incentive aimed at sharing value with shareholders and facilitating sustainable growth.

The compensation of outside directors who are not members of the Audit & Supervisory Committee comprises only the "base compensation" described in (i) a.

(i) Monetary compensation

The following monetary compensation is paid within the range of compensation based on resolution by the 44th Ordinary General Meeting of Shareholders.

a. Base compensation

Base compensation is determined based on position, roles, responsibilities and other factors.

b. Performance-linked monetary compensation

Performance-linked monetary compensation is calculated by multiplying a base amount, which uses consolidated operating profit for the previous fiscal year as its metric, by a designated coefficient according to position, taking an individual assessment-based amount based on role-specific results, and adding the two figures.

(ii) Stock-based compensation

Stock-based compensation comprises the following.

a. Performance-linked stock-based compensation

This is a type of stock-based compensation that was continued and partially revised by resolution of the 47th Ordinary General Meeting of Shareholders. In accordance with the Stock-based Benefits Regulations, in each fiscal year points are awarded based on a director's position and the degree of achievement of performance targets. In principle at the time of a director's retirement, shares in the Company corresponding to the accumulated number of points (with one point converted to one share of the common stock in the Company), and monetary proceeds from the conversion of common stock in the Company, are paid to the director through a trust.

b. Restricted stock-based compensation

This is a type of stock-based compensation established by resolution of the 50th Ordinary General Meeting of Shareholders. Based on their positions, each fiscal year directors are granted monetary claims

as compensation for the granting of transfer-restricted shares. The directors make in-kind contributions of all of these monetary claims, and in turn receive shares in the Company whose transfer is restricted over a certain period. Note that compensation shall be within the limit set by resolution of the 44th Ordinary General Meeting of Shareholders, and shall not exceed ¥90 million per year.

Regarding specific details concerning the amount, payment timing and allocation, etc., of compensation and other such benefits of directors who are not members of the Audit & Supervisory Committee (excluding outside directors), a director in charge is to prepare a payment draft in accordance with resolution of the General Meeting of Shareholders.

Base compensation, performance-linked monetary compensation and performance-linked stock-based compensation are determined, under delegation by the Board of Directors, by a separately established committee pertaining to compensation ("Compensation Committee," hereafter) whose members comprise the President and Representative Director, directors who are members of the Audit & Supervisory Committee and independent outside directors, in which a majority of members are independent outside directors. Restricted stock-based compensation is determined by the Board of Directors following deliberation by the Compensation Committee.

The compensation of outside directors who are not members of the Audit & Supervisory Committee comprises only base compensation. Specific details concerning the amount, payment timing and allocation, etc. of this compensation are determined by the Compensation Committee under delegation by the Board of Directors, in accordance with resolution of the General Meeting of Shareholders. The compensation of directors who are members of the Audit & Supervisory Committee comprises only base compensation. Specific details concerning the amount, payment timing and allocation, etc. of this compensation are determined by consultation between the directors who are members of the Audit & Supervisory Committee within the compensation limits established by resolution of the 44th Ordinary General Meeting of Shareholders.

After this policy for the determination of compensation was first approved by the Board of Directors on February 19, 2021, revisions to the policy were later approved by the Board of Directors on August 19, 2022 due to the introduction of restricted stock-based compensation. When determining details such as the individual compensation of directors in the fiscal year under review, since the Compensation Committee made its determinations as a result of multi-faceted considerations including consistency with the policy for determining compensation described above, for its part the Board of Directors judges that the determinations have been made in consistency with said policy.

Total amount of compensation for each category of directors, total amount by type of compensation, and number of directors

| Category | Total amount of compensation (thousand yen) | Total amount by type of compensation (thousand yen) | | | | Number of eligible directors |
|--|---|---|--|---|-------------------------------------|------------------------------|
| | | Monetary compensation | | Stock-based compensation | | |
| | | Basic compensation | Performance-linked monetary compensation | Performance-linked stock-based compensation | Restricted stock-based compensation | |
| Director (excluding Audit & Supervisory Committee members) (excluding outside directors) | 234,619 | 48,000 | 138,342 | 3,608 | 44,668 | 7 |
| Director (Audit & Supervisory Committee members) (excluding outside directors) | 19,200 | 19,200 | - | - | - | 2 |
| Outside directors | 34,200 | 34,200 | - | - | - | 6 |