

[Translation of the Corporate Governance Report filed with the Tokyo Stock Exchange on December 13, 2024]

*This document is a translation of the Japanese language original prepared solely for convenience of reference. In the event of any discrepancy between this translated document and the Japanese language original, the Japanese language original shall prevail.*

## Corporate Governance Report

Last Update: December 13, 2024

### Internet Initiative Japan Inc.

Company representative: Eijiro Katsu, Representative Director, President and Executive Officer

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Securities Code: 3774

<https://www.ij.ad.jp/en/>

**The corporate governance of Internet Initiative Japan Inc. (the “Company”) is described below.**

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

### **1. Basic Policy**

The Company recognizes the extreme importance of enhancing and implementing corporate governance to achieve its mission of supporting and operating Internet which has become indispensable social infrastructure and to consistently enhance its corporate value. The Company recognizes that it has social responsibilities towards a wide range of stakeholders including shareholders, customers, vendors, employees and the entire Internet users. Therefore, considering the importance of the Company’s influence on society, the Company thinks it is necessary to strive to obtain understandings of various stakeholders.

The Company's Board of Directors consists of twelve directors, including five independent outside directors and the Company's Board of Company Auditors consists of four company auditors, including two independent outside company auditors. Further, the Company has the Internal Auditing Office consisting of six members, including a manager. The Company has adopted the executive officer system to realize its rapid and efficient business execution.

Oversight and supervision of business execution is carried by means of ordinary (monthly) and extraordinary meetings of the Board of Directors, management meetings consisting of executive officers, etc., and monitoring and giving the necessary instructions to each of business, project, subsidiary, etc. Oversight on business management and business audit are carried by means of ordinary (monthly) and extraordinary meetings of the Board of Company Auditors, assignment of a financial expert/legal expert in the Board of Company Auditors, conducting continuous audit including domestic subsidiaries as well as overseas by Company Auditors and the Internal Auditing Office, and operation of its whistleblowers hotline system. Business activities by directors and employees of the Company and its subsidiaries are governed by the Code of Ethics, the Basic Rules for Internal Control, etc.

### **[Reason for Non-compliance with each Principle of the Corporate Governance Code]**

The Company implements each principle of the Japan's Corporate Governance Code.

## [Disclosure each Principle of the Corporate Governance Code]

### 【Principle 1.4】

Considering the Company's business strategies, relationships with its business partners, and cost of capital thoroughly, the Company might hold shares of listed companies as strategic shareholdings in some cases if the Company believes such shareholdings enhance its corporate value and bring profit to its shareholder. Regarding strategic shareholdings, the Company sold all shares of two stocks in FY2017, a part of one stock in FY2019, and all shares of one stock and a part of one stock in FY2023. The Company held five stocks, the fair value of which was ¥13.04 billion on the balance sheet, as of March 31, 2024. The Company confirms whether the margins generated from ongoing transactions and dividends received, with each investee as strategic shareholding, exceed its cost of capital on an annual basis, and evaluates and decides the propriety of the strategic shareholdings based on historical records and future prospects in business transactions and business contribution in terms of its cost of capital. Regarding the exercise of voting rights for strategic shareholdings, the Company comprehensively reviews management policies and business situations as well as the contents of proposed subjects to be resolved at general meetings of those companies. The Company exercises voting rights from the viewpoint that its voting leads to an improvement of those companies' corporate value in the medium- to long-term.

### 【Supplemental Principle 1.4.1】

If a shareholder who holds the Company's shares as strategic shareholdings shows an intention of selling, the Company makes an effort to resolve a factor which is thought to be not effective. However, the Company will not make any action to prevent the shareholder's intent to sell our shares, such as reduction of business transaction.

### 【Supplemental Principle 1.4.2】

The Company does not and will not have a transaction that lacks in economic rationality or harms the benefit of both the Company and its shareholders, with a shareholder who holds our shares as strategic shareholdings.

### 【Principle 1.7】

Regarding conflict-of-interest transactions with directors, the Company requires an approval from the Board of Directors in compliance with the Companies Act of Japan. Transactions with related parties are annually reported to the Board of Directors.

### 【Supplemental Principle 2.4.1】

The Company's policies and voluntary and measurable targets for ensuring diversity in core human resources are as follows:

< Ensuring diversity in core human resources etc.>

[Policies for ensuring diversity in core human resources]

As one of the business philosophy, the Company and its group companies ("the Group") sets "We aim to offer meaningful working opportunities for growth through business, in which our staff with diversified talents and values can take a proactive approach to technical innovation and social contribution, and actively demonstrate their abilities with pride and a sense of satisfaction." The Group has hired diverse human resources irrespective of gender, nationality, disability, other personal attributes, and whether they are new graduates or mid-career hires, and the Group has deployed and promoted them based on their ability and performance with respect for various perspectives and values. The Group believes that the continuous pursuit of the above business philosophy will lead to creating new technologies and values.

[Characteristics of human resource structure]

As of April 2024, approximately 70% of the total employees in the Group belonged to technology and service departments, and most of them were recruited from universities and other educational backgrounds in science and engineering where the ratio of female was low. In addition, the Company was founded in 1992, and in the early days of its business, it had not hired new graduates but mid-career professionals, which resulted in a structural characteristic that the ratios of male employees and mid-career hires are higher in older age groups.

<Regarding voluntary and measurable targets for ensuring diversity in core human resources etc.>

[Female employees]

Due to the above characteristic of human resource structure, the ratio of female managers in the Company was 7.5% as of April 2024. The ratio of female employees hired in FY2023 was approximately 21%, and the number of female managers has gradually increased as well. Since the Company has been continuously enhancing its systems and work environment to balance work and family life such as childcare, the ratio of female managers is expected to increase organically. The target ratio of female managers was 6% or more in FY2024 and 8% or more in FY2027, respectively. As of April 2023, one year ahead of the schedule, the Company achieved the target ratio of female managers of over 6%. The Company has brought forward the FY2027 target ratio of female managers of 8% or more by one year to FY2026.

[Mid-career hires]

The ratio of mid-career hires in management positions of the Company as of April 2024 was comparatively high at approximately 70%, owing partly to the above characteristic of human resource structure. The Group's current basic policy for hiring is to hire and train new graduates as its major human resources with hiring mid-career professionals for immediate business needs. Therefore, the Group expects the ratio of mid-career hires in management positions to decline organically. The Group does not set a specific target of the ratio of mid-career hires.

[Non-Japanese Employees]

In line with the Group's business philosophy, the Group continues to hire employees and promote to management positions irrespective of nationality, etc. The Group has employed non-Japanese people as Internet-related technical researchers and other positions, but it does not set a specific number target for the ratio of non-Japanese employees since its business is mainly conducted in Japan.

Regarding the Company's policy for human resource development, internal environments and status of implementation, etc. for ensuring diversity, please refer to the Company's IR website "Integrated Report Portal" "Sustainability" "Material issue 3." (<https://www.ij.ad.jp/en/ir/integrated-report/sustainability/materiality03/>)

【Principle 2.6】

The Company outsources its corporate pension management to a third party asset management firm. CFO, finance, accounting and human resources divisions thoroughly review and monitor the performance, management policy, operation structure and process of the pension management firm. The status is annually reported to the Board of Directors.

【Principle 3.1】

- (i) Regarding the Company's business philosophy, business strategies and business plans, please refer to the Company's IR website "Management Policy" under "Business Philosophy and Mid-term Plan." (<https://www.ij.ad.jp/en/ir/policy/philosophy/>)
- (ii) Regarding the Company's basic policy and guideline on corporate governance, please see "I.1. Basic Policy" of this report.

- (iii) Regarding the Company's policies and procedures for the Board of Directors to determine remunerations for directors and executive officers, please see "II .1. [Director Remuneration]" of this report.
- (iv) Regarding the Company's policies and procedures for elections of management executives and nomination of candidates for directors and company auditors, please see "II .2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of the Current Corporate Governance System)" of this report.
- (v) The reasons for the election of candidates for directors and company auditors are described on the Convocation Notice of the 32nd Ordinary General Meeting of Shareholders.

**【Supplemental Principle 3.1.3】**

The Company's basic policy for sustainability, relevant material issues and initiatives are disclosed on the Company's IR website "Human Capital" under "Integrated Report Portal" ([https://www.ij.ad.jp/en/ir/integrated-report/human\\_capital/](https://www.ij.ad.jp/en/ir/integrated-report/human_capital/)) and "Sustainability." (<https://www.ij.ad.jp/en/ir/integrated-report/sustainability/>)

The Company's human capital and intellectual property are disclosed on the Company's IR website "Sustainability" "Material issue 3" under "Integrated Report Portal." (<https://www.ij.ad.jp/en/ir/integrated-report/sustainability/materiality03/>)

The Company's climate-related disclosures based on the TCFD framework etc. are disclosed on the Company's IR website "Information Disclosure based on the TCFD Recommendations" under "Integrated Report Portal." (<https://www.ij.ad.jp/en/ir/integrated-report/tcfd/>)

The Company has established the "Sustainability Committee," chaired by the President, to promote these activities as a company-wide initiative. The Company will implement PDCA activities to reduce the environmental impact, and enhance information disclosure to our stakeholders.

**【Supplemental Principle 4.1.1】**

In accordance with the Code of Board of Directors and the Guidelines for the resolution matters by the Board of Directors, matters to be resolved at the Board of Directors and required significant judgment on business management are determined by the Board of Directors in compliance with the Companies Act of Japan and other laws. In addition, management meeting, which includes President and executive officers, etc. who are appointed by President, implements smooth, rapid decision-making and supervision on business operations. In order to accelerate decision-making, the Board of Directors elects executive officers who commit on business execution, and delegates authorities to them in accordance with the Code of Administrative Authority.

**【Principle 4.8】**

The Company has twelve directors including five independent outside directors.

**【Principle 4.9】**

In addition to the requirement of outside directors as set forth by the Companies Act of Japan and the standards established by Tokyo Stock Exchange, Inc., the Company sets the "Standards on the Independence of Outside Directors and Outside Company Auditors" which includes the condition on sufficient independence. The Company selects independent outside directors and outside company auditors based on these criteria which are as follows.

(Standards on the Independence of Outside Directors and Outside Company Auditors)

The company deems that outside directors and outside company auditors do not fall under any one of the categories below

- (1) Major shareholders holding voting rights equivalent to 10% or more of the total voting rights of the Company, or in the case of a corporation or organization, an executive of that corporation or organization

- (2) An executive of a major client of the Company or its subsidiaries, or executive of a corporation or organization that deals with the Company or its subsidiaries as a major business partner (\*1)
- (3) An executive of a financial institution to which the Company owes significant borrowings (\*2)
- (4) A person who receives significant amounts of remuneration or other economic benefit (other than their remuneration as a director or company auditor) as a consultant, accountant, or lawyer for the Company or its subsidiaries, or where a corporation or organization, a person belonging thereto (\*3)
- (5) An executive of a corporation or organization that receive significant donations from the Company or its subsidiaries (\*4)
- (6) A person who served a corporation or organization falling under any of the categories (1) to (5) above as an executive within the past three years
- (7) A spouse or relative within two degrees of kinship of a person falling under any of the categories below
  - A person falling under any of the categories (1) to (5) above
  - A person who is a director or executive of a subsidiary of the Company
- (8) Other than above, a person who is deemed to have a lack of independence by comprehensive consideration of the company

Even if a person fails under any of the conditions from (1) through (8) as stipulated above, any reason for judging that such person still has independence is required to be explained and disclosed when such person is appointed as an independent director or company auditor.

\*1 Classification into the category of “major client of the Company or its subsidiaries” is judged according to the annual sales that the Company or its subsidiaries had with the client in any fiscal year out of the most recent three fiscal years: whether or not they exceed 2% of the annual sales of the Company or its subsidiaries.

Classification into the category of a “corporation or organization that deals with the Company or its subsidiaries as a major business partner” is judged according to the annual sales that the corporation or organization had with the Company or its subsidiaries in any fiscal year out of the most recent three fiscal years: whether or not they exceed 2% of the annual sales of the corporation or organization.

\*2 Classification into the category of “significant borrowings” is judged according to the amount of those borrowings: whether or not they exceed 2% of the gross assets of the Company in any fiscal year out of the most recent three fiscal years.

\*3 Classification into the category of “significant amounts of remuneration or other economic benefit” is judged according to the benefit that the person has received from the Company or its subsidiaries (other than their remuneration as a director or company auditor) in any fiscal year out of the most recent three fiscal years: whether or not the person has received remuneration or other economic benefit of ¥10 million or more; or where the person belongs to a corporation or organization, whether or not that corporation or organization has received from the Company or its subsidiaries remuneration or other economic benefit that exceeds 2% of the annual sales of the corporation or organization in any fiscal year out of the most recent three fiscal years or ¥10 million, whichever is higher.

\*4 Classification into the category of “significant donations” is judged according to the amount of donations in any fiscal year out of the most recent three fiscal years that have been received from the Company or its subsidiaries: whether or not they exceed ¥10 million a year or 2% of the annual total costs of the corporation or organization, whichever is higher.

#### 【Supplemental Principle 4.10.1】

The Company's “Nomination and Remuneration Committee” is a voluntary committee and consists of 2 representative directors and 5 independent outside directors. The Nomination and Remuneration Committee is dominated by independent outside directors, which enhances the independence and objectivity of the committee. Matters related to the nomination and remuneration of directors are consulted with the Nomination and Remuneration Committee, which evaluates and verifies their appropriateness before decision-making procedures such as at the General Meeting of Shareholders and the meeting of the Board of Directors. Each member of the Nomination and Remuneration Committee

evaluates the suitability of directors through the observation of discussions at the meetings of the Board of Directors, etc.

**【Supplemental Principle 4.11.1】**

In order to best execute and expand the group business as a whole, regardless of seniority and being internal or external as well as without being caught regards of only gender and internationality, based on the Criteria for Company Directors and Company Auditors Appointment, the Company submits candidates proposals for company directors, with diverse candidates who have knowledge, experience, capability and integrity in each business areas, to the Nomination and Remuneration Committee. After the Committee discusses the proposal, the candidates are selected.

Regarding the selection of company auditors, based on a basic policy, the Company selects candidates who have appropriate experience and capability as well as necessary knowledge in finance, accounting and compliance.

The Company's Board of Directors consists of appropriate members who have extensive experience and high-level expertise necessary for the Company in comparison with the "Director Skill Matrix," which defines clearly requirements for directors in order to realize its business philosophy. Full-time directors are mainly appointed from those who are familiar with the IT industry, including members who have been involved in its foundation, and outside directors are mainly appointed from those who have extensive experience and knowledge as top management of large companies. Regarding the skill matrix of current directors of the Company, please refer to the "Directors' Skill Matrix (Reference Material)."

**【Supplemental Principle 4.11.2】**

Directors and company auditors who serve concurrently for other listed companies remain in a reasonable range, and their services are noted each year in the Notice of Convocation of General Shareholders' Meeting.

**【Supplemental Principle 4.11.3】**

With regard to the effectiveness of the Board of Directors, the Company annually conducts a survey on evaluation of the effectiveness of the Board of Directors to all directors and company auditors, organizes and analyzes the results of the survey, and then reports it to the Board of Directors from FY2015. Based on the results of the survey, the Company operates to improve the effectiveness of the Board of Directors as necessary. Regarding the operation of the Board of Directors in FY2023, the system of the Board of Directors including independent directors is established, the information needed for discussion and judgment in the Board of Directors is sufficiently offered, each of the directors states from the various aspects, the operations of the Board of the Directors such as frequency and the operation on the day is appropriately set, and therefore the company recognizes that the effectiveness of the Board of Directors validly functions as a self-evaluation.

**【Supplemental Principle 4.14.2】**

The Company conducts training programs for new elected directors and company auditors about their duties and responsibilities. The Company provides sufficient opportunities to show their ability in the business areas in charge and supports them to obtain business knowledge at a sufficient level.

**【Principle 5.1】**

The Company has established policies and organizations to promote constructive dialogues with shareholders which should contribute to its sustainable growth and corporate value improvement in the medium- to long-term as follows:

- (i) Designation of a director in charge of the dialogue with shareholders  
In order to promote the constructive dialogue with shareholders and investors, the Company designates CFO as a director responsible to IR activities.

- (ii) Measures to create organic cooperation among the Company's internal departments  
The company has established the "Disclosure Committee" which is mainly consisted of directors, company auditors and executive officers. The "Disclosure Committee" verifies and approves the contents of disclosure documents. In addition, the Company has established the "Disclosure Consideration Preparation Working Group" which CFO is responsible for and consists of internal departments or functions of IR, budget, finance, accounting and legal to control information disclosure process. By having the "Disclosure Committee" and "Disclosure Consideration Preparation Working Group," the Company discloses important information in properly, timely and fairly manner.
- (iii) Efforts to enhance dialogue - means other than face-to-face individual interview  
The Company holds several opportunities for analysts and institutional investors such as quarterly results briefings, participation in investor conferences and briefings on non-financial issues including technology theme. The Company also holds opportunities for individual investors such as briefings about the Company from time to time. The Company intends to continue these activities.
- (iv) Measures to share shareholders' opinions and concerns to the management executives  
Shareholders' and investors' comments and concerns which the Company learns from dialogues are reported to the Company's management executives in a timely manner through various means including periodic internal meetings. In addition, the Company made the "IJ Board of Directors Dashboard," an information sharing tool including outside directors, to provide feedback to management about the status of interviews, recommendations by shareholders, major questions and answers.
- (v) Measures related to manage insider information  
The Company takes great care of insider trading prevention, including the establishment of the "Insider Trading Prevention Rule" that apply to all directors and employees of the Company and its subsidiaries. Regarding dialogues with shareholders and investors, the Company has established the "Disclosure Policy" in accordance with compliance, and engages in appropriate disclosures and provision of information.

【Measures to realize Management that considers Capital Costs and Stock Prices】 [Updated on June 28, 2024]

Regarding the Company's measures to realize management that considers capital costs and stock prices, please refer to the Company's IR website "Financial Strategy" under "Integrated Report Portal." ([https://www.ij.ad.jp/en/ir/integrated-report/financial\\_strategy/](https://www.ij.ad.jp/en/ir/integrated-report/financial_strategy/))

【Communication with Capital Markets】

The Group is in the middle of growth in a rapidly changing and growing market, and the Group recognizes that close communication with the capital markets is very important to share its business model, business strategy and direction. The Company is devoted to dialogue with institutional investors and analysts, and the status of meetings and their recommendations are shared with the Board of Directors in a timely manner. Regarding the details of communication with capital markets, please refer to the Company's IR website "Financial Strategy" under "Integrated Report Portal." ([https://www.ij.ad.jp/en/ir/integrated-report/financial\\_strategy/](https://www.ij.ad.jp/en/ir/integrated-report/financial_strategy/))

## 2. Capital Structure

|                            |                           |
|----------------------------|---------------------------|
| Foreign Shareholding Ratio | From 20% to less than 30% |
|----------------------------|---------------------------|

**[Status of Major Shareholders]**

| Name / Company Name  | Number of Shares Owned | Percentage (%) |
|--|------------------------|----------------|
| KDDI CORPORATION   | 20,387,000             | 11.52          |
| The Master Trust Bank of Japan, Ltd. (Trust account)   | 19,118,100             | 10.81          |
| Custody Bank of Japan, Ltd. (Trust account)  | 13,369,600             | 7.56           |
| NIPPON TELEGRAPH AND TELEPHONE CORPORATION   | 12,227,000             | 6.91           |
| NTT Communications Corporation   | 8,160,000              | 4.61           |
| ITOCHU Techno-Solutions Corporation  | 7,808,000              | 4.41           |
| Koichi Suzuki  | 7,413,115              | 4.19           |
| The Dai-ichi Life Insurance Company, Limited<br>(Standing proxy: Custody Bank of Japan, Ltd.)                                  | 5,092,000              | 2.88           |
| KS Holdings Inc.   | 3,240,000              | 1.83           |
| STATE STREET BANK AND TRUST COMPANY<br>505001 (Standing proxy: Mizuho Bank, Ltd.<br>Settlement & Clearing Services Department) | 3,012,706              | 1.75           |

|   |      |
|---|------|
| Controlling Shareholder (except for Parent Company) | —    |
| Parent Company                                      | None |

Supplementary Information

- (1) The above "Status of Major Shareholders" is based on the list of shareholders as of September 30, 2024.
- (2) The percentages are rounded to two decimal places.
- (3) Numbers of shares held by The Master Trust Bank of Japan, Ltd. and Custody Bank of Japan, Ltd. are those related to trust business.
- (4) KS Holdings Inc. is a wholly owned and controlled (indirect) by Mr. Koichi Suzuki, Representative Director, Chairman and Executive Officer of IIJ.
- (5) Global Alpha Capital Management Ltd. ("Global Alpha") filed a report of substantial shareholding with the Director General of the Kanto Bureau of the Ministry of Finance on August 9, 2024. According to the filing, Global Alpha owned 11,110,880 shares of common stock of IIJ as of August 7, 2024, representing 6.06% of the total number of issued shares at the date. Global Alpha filed a report of substantial shareholding with the Director General of the Kanto Bureau of the Ministry of Finance on October 15, 2024. According to the filing, Global Alpha owned 9,275,988 shares of common stock of IIJ as of October 10, 2024, representing 5.06% of the total number of issued shares at the date. Since then, we have not recognized any filings by Global Alpha. Their holdings were not verified based on the shareholder record as of September 30, 2024, therefore, Global Alpha and their holdings are not included in the above list.
- (6) There were 6,268,110 shares of treasury stock, which were not included in the above table.
- (7) NIPPON TELEGRAPH AND TELEPHONE CORPORATION which was a major shareholder of the Company as of March 31, 2023, is no longer a major shareholder of the Company as of March 31, 2024, and KDDI CORPORATION has become the new major shareholder.

**3. Corporate Attributes**

|                                   |                                   |
|-----------------------------------|-----------------------------------|
| Stock Exchange and Market Section | Tokyo Stock Exchange Prime Market |
| Fiscal Year-End                   | End of March                      |
| Type of Business                  | Information & Communication       |



|   |  |
|---|--|
| Number of Employees (consolidated) as of the End of the Previous Fiscal Year  | More than 1000                             |
| Revenues (consolidated) as of the End of the Previous Fiscal Year             | From ¥100 billion to less than ¥1 trillion |
| Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year | From 10 to less than 50                    |

#### 4. Policy on Measures to Protect Minority Shareholders in the event of Transactions with Controlling Shareholder

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#### 5. Other Particular Conditions which may have Material Impact on Corporate Governance

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## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business and Oversight in Management

### 1. Organizational Composition and Operation

|                     |  |
|---------------------|--|
| Organizational Form | Company with the Board of Company Auditors |
|---------------------|--|

#### [Directors]

|   |   |
|---|---|
| Maximum Number of Directors Stipulated in Articles of Incorporation | Fourteen persons  |
| Term of Office Stipulated in Articles of Incorporation              | One year  |
| Chairperson of the Board  | Chairman (except for concurrently serving as President) |
| Number of Directors   | Twelve persons  |
| Election of Outside Directors                                       | Elected   |
| Number of Outside Directors   | Five persons  |
| Number of Independent Directors within the Outside Directors        | Five persons  |

#### Outside Directors' Relationship with the Company (1)

| Name              | Attribute          | Relationship with the Company* |   |   |   |   |   |   |   |   |   |   |
|-------------------|--------------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|
|                   |                    | a                              | b | c | d | e | f | g | h | i | j | k |
| Takashi Tsukamoto | From other company |                                |   |   |   | △ |   |   |   |   |   |   |
| Kazuo Tsukuda     | From other company |                                |   |   |   |   |   |   | △ |   |   |   |
| Yoichiro Iwama    | From other company |                                |   |   |   |   |   |   | △ |   |   |   |
| Atsushi Okamoto   | From other company |                                |   |   |   |   |   |   |   |   |   |   |
| Kaori Tonosu      | From other company |                                |   |   |   |   |   |   | △ |   |   |   |

\* Selected the relevant "Relationship with the Company"

\*\*○" indicated the relevant item that the person presently falls or has recently fallen under the category;

"△" indicated the relevant item that the person fell under the category in the past

\*\*●"indicated the relevant item that the person's close family member presently falls or has recently fallen under the category;

"▲"indicated the relevant item that the person's close family member fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Executive or Non-executive director of a parent company of the Company

- c. Executive of fellow subsidiaries of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the listed company or an executive thereof
- f. A consultant, accounting expert or legal expert who receives significant remuneration or other assets from the Company other than remuneration as a director/company auditor
- g. Major shareholder of the Company (an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier of the Company (does not fall under any of d, e, or f) (the director himself/herself only)
- i. Executive of a company whose outside directors/ company auditors assume the post on a reciprocal basis with the Company appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Other

|  |
|--|
| Outside Directors' Relationship with the Company (2) |
|--|

| Name              | Designation as Independent Director | Supplementary Information of the Relationship  | Reasons for Election  |
|-------------------|-------------------------------------|--|---|
| Takashi Tsukamoto | ○                                   | Mr. Tsukamoto formerly served as an executive of Mizuho Bank, Ltd., which is one of the Company group's clients and borrowing banks, and its parent company, Mizuho Financial Group, Inc.; however, he had already left those roles in 2014. He is currently a Special Advisor of Mizuho Financial Group and not engaged in any business execution and more than ten years has passed since he left his executive positions at these companies. Accordingly, the Company has evaluated that he has sufficient independence. In addition, sales for Mizuho Bank, Ltd. and Mizuho Financial Group, Inc. were less than 2% of the Company group's total sales, and costs for Mizuho Bank, Ltd. and Mizuho Financial Group, Inc. were less than 1% of their total sales. | Mr. Tsukamoto served as the President and CEO, and Chairman of Mizuho Bank, Ltd., and has abundant experience and profound knowledge in the field of global business, finance and accounting, governance, etc. He has been appointed as an Outside Director of the Company since June 2017, and has provided useful advice and supervision to the Company's management. The Company therefore continues to reappoint him as an Outside Director. His total term of office as an Outside Director was seven (7) years at the conclusion of the 32nd Ordinary General Meeting of Shareholders. Since he satisfies independence criteria stipulated by Tokyo Stock Exchange, Inc., etc., the Company believes that he is qualified as an independent director who is free from the possibility of conflicts of interest with general shareholders. |
| Kazuo Tsukuda     | ○                                   | Mr. Tsukuda formerly served as an executive of Mitsubishi Heavy Industries, Ltd., which is one of the Company group's clients; however, he had already left the role in 2013 and he is not engaged in any business execution. Accordingly, the Company has evaluated that he has sufficient independence. In addition, sales for Mitsubishi Heavy Industries, Ltd. were less than 1% of the  | Mr. Tsukuda served as the President and Representative Director, and Chairman of the Board and Representative Director, of Mitsubishi Heavy Industries, Ltd, and has abundant experience and profound knowledge in the field of technology, R&D, global business, governance, etc. He has been appointed as an Outside Director of the Company since June 2020, and has provided useful   |

|                 |   |   |   |
|-----------------|---|---|---|
|                 |   | Company group's total sales, and costs for Mitsubishi Heavy Industries, Ltd. were less than ¥10 million.  | advice and supervision to the Company's management. The Company therefore continues to reappoint him as an Outside Director. His total term of office as an Outside Director was four (4) years at the conclusion of the 32nd Ordinary General Meeting of Shareholders. Since he satisfies independence criteria stipulated by Tokyo Stock Exchange, Inc., etc., the Company believes that he is qualified as an independent director who is free from the possibility of conflicts of interest with general shareholders.  |
| Yoichiro Iwama  | ○ | Mr. Iwama formerly served as an executive of Tokio Marine Asset Management Co., Ltd., which is one of the Company group's clients; however, he had already left the role in 2009 and he is not engaged in any business execution. Accordingly, the Company has evaluated that he has sufficient independence. In addition, sales for Tokio Marine Asset Management Co., Ltd. were less than 1% of the Company group's total sales, and costs for Tokio Marine Asset Management Co., Ltd. were less than ¥10 million. He also serves as an Outside Director and Chairman of the Board of Nikko Asset Management Co., Ltd., which is one of the Company group's clients; however, he is not engaged in any business execution since he is an Outside Director. Accordingly, the Company has evaluated that he has sufficient independence. In addition, sales for Nikko Asset Management Co., Ltd. were less than 1% of the Company group's total sales, and costs for Nikko Asset Management Co., Ltd. were less than ¥10 million. | Mr. Iwama served as the President and Representative Director of Tokio Marine Asset Management Co., Ltd., an Outside Director and Chairman of the Board of Nikko Asset Management Co., Ltd., and a member of the follow-up meetings of the Stewardship Code, the Corporate Governance Code, etc., and has abundant experience and profound knowledge in the field of global business, finance and accounting, governance, etc. He has been appointed as an Outside Director of the Company since June 2021, and has provided useful advice and supervision to the Company's management. The Company therefore continues to reappoint him as an Outside Director. His total term of office as an Outside Director was three (3) years at the conclusion of the 32nd Ordinary General Meeting of Shareholders. Since he satisfies independence criteria stipulated by Tokyo Stock Exchange, Inc., etc., the Company believes that he is qualified as an independent director who is free from the possibility of conflicts of interest with general shareholders. |
| Atsushi Okamoto | ○ | -   | Mr. Okamoto served as the President and CEO, etc. of Iwanami Shoten, Publishers, and has abundant experience and profound knowledge in the field of global business, governance, etc. He has been appointed as an Outside Director of the Company since June 2022, and has provided useful advice and supervision to  |

|              |   |   |   |
|--------------|---|---|---|
|              |   |   | the Company's management. The Company therefore continues to reappoint him as an Outside Director. His total term of office as an Outside Director was two (2) years at the conclusion of the 32nd Ordinary General Meeting of Shareholders. Since he satisfies independence criteria stipulated by Tokyo Stock Exchange, Inc., etc., the Company believes that he is qualified as an independent director who is free from the possibility of conflicts of interest with general shareholders.   |
| Kaori Tonosu | ○ | Ms. Tonosu formerly served as an executive of Deloitte Touche Tohmatsu LLC., which is one of the Company group's clients; however, she had already left Deloitte Touche Tohmatsu LLC. in 2021 and she is not engaged in any business execution. Accordingly, the Company has evaluated that she has sufficient independence. In addition, sales for Deloitte Touche Tohmatsu LLC. were less than 1% of the Company group's total sales, and costs for Deloitte Touche Tohmatsu LLC. were less than ¥10 million. Deloitte Touche Tohmatsu LLC. was the Company group's Financial Auditor, but the Company changed its Financial Auditor to another company in June 2019. Therefore, the Company believes that she is sufficiently independent. | Ms. Tonosu served as a board member of Deloitte Touche Tohmatsu LLC., as a Certified Information Systems Auditor, and has abundant experience and profound knowledge in the field of IT business, technology, R&D, governance, etc. She has been appointed as an Outside Director of the Company since June 2022, and has provided useful advice and supervision to the Company's management. The Company therefore continues to reappoint her as an Outside Director. Her total term of office as an Outside Director was two (2) years at the conclusion of the 32nd Ordinary General Meeting of Shareholders. Since she satisfies independence criteria stipulated by Tokyo Stock Exchange, Inc., etc., the Company believes that she is qualified as an independent director who is free from the possibility of conflicts of interest with general shareholders. |

|   |             |
|---|-------------|
| Voluntarily Established of Committee(s) Corresponding to Nomination Committee or Remuneration Committee | Established |
|---|-------------|

Status of Voluntary Established Committees, Composition of Committees' members, Attributes of Chairperson

|   |   |
|---|---|
| Committee Corresponding to Nomination Committee | Committee Corresponding to Remuneration Committee |
|---|---|

|                       |                                       |                                       |
|-----------------------|---------------------------------------|---------------------------------------|
| Committee's Name      | Nomination and Remuneration Committee | Nomination and Remuneration Committee |
| All Committee Members | Seven                                 | Seven                                 |
| Full-time Members     | Zero                                  | Zero                                  |
| Internal Directors    | Two                                   | Two                                   |
| Outside Directors     | Five                                  | Five                                  |
| Outside Experts       | Zero                                  | Zero                                  |
| Other                 | Zero                                  | Zero                                  |
| Chairperson           | Internal Director                     | Internal Director                     |

#### Supplementary Explanation

The Company voluntarily establishes the Nomination and Remuneration Committee with a purpose to maintain and improve fairness and transparency of decision making of directors' nomination and remuneration.

#### [Company Auditors]

|   |   |
|---|---|
| Establishment of Board of Company Auditors  | Established   |
| Maximum Number of Board of Company Auditors Stipulated in Articles of Incorporation | The Company doesn't set a ceiling on the number of company auditors |
| Number of Board of Company Auditors   | Four persons  |

#### Cooperation among Company Auditors, Accounting Auditors and Internal Audit Departments

The Board of Company Auditors periodically reviews the quality of services by accounting auditor. Regarding annual audit plans, yearly and quarterly reviews on financial results, annual audit result, independence of accounting auditor and etc., the Board of Company Auditors periodically cooperates with accounting auditor through interviews.

|   |             |
|---|-------------|
| Election of Outside Company Auditor                                       | Elected     |
| Number of Outside Company Auditor   | Two persons |
| Number of Independent Company Auditor within the Outside Company Auditors | Two persons |

#### Outside Company Auditor's Relationship with the Company (1)

| Name               | Attribute | Relationship with the Company* |   |   |   |   |   |   |   |   |   |   |   |   |
|--------------------|-----------|--------------------------------|---|---|---|---|---|---|---|---|---|---|---|---|
|                    |           | a                              | b | c | d | e | f | g | h | i | j | k | l | m |
| Takashi Michishita | Lawyer    |                                |   |   |   |   |   |   |   |   | ○ |   |   |   |
| Kumiko Aso         | CPA       |                                |   |   |   |   |   |   |   |   | △ |   |   |   |

\* Selected the relevant "Relationship with the Company"

\*\*○" indicated the relevant item that the person presently falls or has recently fallen under the category;

"△" indicated the relevant item that the person fell under the category in the past

\*\*●"indicated the relevant item that the person's close family member presently falls or has recently fallen under the category;

"▲"indicated the relevant item that the person's close family member fell under the category in the past

a. Executive of the Company or its subsidiary

- b. Non-executive director or accounting advisor of the Company or its subsidiaries
- c. Executive or executive non-executive director of a parent company of the Company
- d. Company Auditor of a parent company of the Company
- e. Executive of fellow subsidiaries of the Company
- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. A consultant, accounting expert or legal expert who receives significant remuneration or other assets from the Company other than remuneration as a director/company auditor
- i. Major shareholder of the Company (an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier of the Company (does not fall under any of f, g, or h) (the company auditor himself/herself only)
- k. Executive of a company whose outside directors/company auditors assume the post on a reciprocal basis with the Company appointed (the company auditor himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the company auditor himself/herself only)
- m. Other

Outside Company Auditor's Relationship with the Company (2)

| Name               | Designation as Independent Company Auditor | Supplementary Information of the Relationship   | Reasons for Election  |
|--------------------|--|---|---|
| Takashi Michishita | ○  | Mr. Michishita serves as an executive of Nishimura & Asahi (Gaikokuho Kyodo Jigyo), which is one of the Company group's clients; however, sales for Nishimura & Asahi (Gaikokuho Kyodo Jigyo) were less than 1% of the Company group's total sales, and costs for Nishimura & Asahi (Gaikokuho Kyodo Jigyo) were less than ¥10 million. Accordingly, the Company has evaluated that he has sufficient independence. | Mr. Michishita has many years of experience as a lawyer and professional knowledge of legal matters. He has been appointed as an Outside Company Auditor of the Company since June 2016, and has provided useful advice and supervision to the Company's management. His total term of office as an Outside Company Auditor was eight (8) years at the conclusion of the 32nd Ordinary General Meeting of Shareholders. Since he satisfies independence criteria stipulated by Tokyo Stock Exchange, Inc., etc., the Company believes that he is qualified as an independent company auditor who is free from the possibility of conflicts of interest with general shareholders. |
| Kumiko Aso         | ○  | Ms. Aso formerly served as an executive of Deloitte Touche Tohmatsu LLC., which is one of the Company group's clients; however, she had already left Deloitte Touche Tohmatsu LLC. in 2022 and she is not engaged in any business execution. Accordingly, the Company has evaluated that she has sufficient independence. In addition, sales for Deloitte Touche Tohmatsu LLC. were less than 1%                    | Ms. Aso has many years of experience as a certified public accountant and professional knowledge of finance. Therefore she is expected to have the ability to execute the duties of an Outside Company Auditor, and has been appointed as an Outside Company Auditor of the Company. Since she satisfies independence criteria stipulated by Tokyo Stock Exchange, Inc., etc., the Company  |

|  |  |   |  |
|--|--|---|--|
|  |  | of the Company group's total sales, and costs for Deloitte Touche Tohmatsu LLC. were less than ¥10 million. Deloitte Touche Tohmatsu LLC. was the Company group's Financial Auditor, but the Company changed its Financial Auditor to another company in June 2019. Therefore, the Company believes that she is sufficiently independent. | believes that he is qualified as an independent company auditor who is free from the possibility of conflicts of interest with general shareholders. |
|--|--|---|--|

#### [Independent Directors/Company Auditors]

|  |               |
|--|---------------|
| Number of Independent Directors/Company Auditors | Seven persons |
|--|---------------|

|  |
|--|
| Other Matters relating to Independent Directors and Company Auditors |
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|--|
| All of the outside directors and company auditors that are qualified as independent directors or company auditors have been designated as independent directors or company auditors. |
|--|

#### [Incentives]

|   |  |
|---|--|
| Implementation of Measures on Incentive Allotment for Directors | Performance-linked remuneration, other |
|---|--|

|                           |
|---------------------------|
| Supplementary Information |
|---------------------------|

The Company had allocated stock compensation-type stock options, as a substitution for the retirement allowance, to its directors (except for part-time and outside directors) and executive officers from June 2011, for the purpose of providing a medium- to long-term incentives to them and further promoting sharing of value with shareholders. The Company allocated stock acquisition rights as stock linked compensation-type stock options that are generally equivalent to one to two months of basic monthly remuneration for each director.

The Company had implemented to provide restricted stock remuneration to its directors (except for part-time and outside directors) and executive officers as performance-linked bonuses from June 2020, for the purpose of providing a medium- to long-term incentives to them and further promoting sharing of value with shareholders. The total number of shares of common stock issued or disposed of by the Company shall be 160,000 shares or less per year and transfer restriction period shall be from the disposal date to the point in time when the directors or the executive officers resigns from their positions both a director and an executive officer of the Company. The amount of restricted stock remuneration to be allocated was calculated based on the evaluation methodology using the consolidated financial results and targets; revenues and operating profit, and is determined equivalent to between zero and four times as much as their respective monthly fixed cash remuneration. As for FY2023, the Company decided to provide the restricted stock remuneration, which is equivalent to one month's worth of their respective monthly fixed cash remuneration, in consideration of the consolidated financial results; revenues of ¥276.08 billion and operating profit of ¥29.03 billion, compared to the consolidated financial targets; revenues of ¥286.0 billion and operating profit of ¥31.5 billion.

Since June 2024, the Company has reformed its former director remuneration system and introduced a new director remuneration system (the "New Director Remuneration System") consisting of a fixed base remuneration (cash remuneration), remuneration that is conditional on tenure as a substitute for stock compensation-type stock options (restricted stock remuneration), performance-linked remuneration for a single fiscal year (restricted stock remuneration) and performance-linked remuneration for the medium- to long-term (restricted stock remuneration). Regarding the detail of the New Director Remuneration System, please see "II.1. [Director Remuneration]" of this report.

|                                   |   |
|-----------------------------------|---|
| Person eligible for Stock Options | — |
|-----------------------------------|---|

|                           |
|---------------------------|
| Supplementary Information |
|---------------------------|

|   |
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| — |
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## [Director Remuneration]

|  |   |
|--|---|
| Disclosure of Individual Directors' Remuneration | Remuneration of a specific individual disclosed |
|--|---|

|                           |
|---------------------------|
| Supplementary Information |
|---------------------------|

For FY2023, the total remuneration amount of fourteen directors was ¥499 million (including ¥30 million paid to five outside directors), and the total remuneration amount of four company auditors was ¥32 million (including ¥17 million paid to three outside company auditors).

The total remuneration amount included as follows:

- (i) Performance linked remuneration (restricted stock) : ¥62 million  
(Note) The amount of performance linked remuneration stated in the above represents the amount of expenses recognized in FY2023.
- (ii) Non-monetary remuneration (stock compensation-type stock options) : ¥51 million

The director who received a total annual remuneration of ¥100 million or more is Eijiro Katsu, and the total annual amount of his remuneration was ¥112 million (fixed cash remuneration of ¥90 million, stock options of ¥15 million, and restricted stock remuneration of ¥7 million as performance-linked bonuses for FY2023). Within these, the payment of restricted stock remuneration was resolved at the meeting of the Board of Directors held on May 24, 2024. As for the restricted stock remuneration granted to him prior to FY2023, the expenses recognized for FY2023 was ¥16 million.

|  |             |
|--|-------------|
| Policy on Determining Remuneration Amounts and Calculation Methods | Established |
|--|-------------|

|  |
|--|
| Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods |
|--|

- i) Determination policy of the amount and the calculation method of remuneration for Directors and Company Auditors
  - a) Method for deciding on the determination policy of the calculation method of remuneration for directors  
After consulting with the Nomination and Remuneration Committee on drafts of the determination policy including the calculation methods for individual director remuneration and performance-linked remuneration, the revision of determination policy was resolved at the Board of Directors meeting held on May 24, 2024.
  - b) Outline of determination policy of remuneration for directors  
With regard to the remuneration paid to our full-time Directors, our basic policy is that, when determining the amount of remuneration for an individual Director, we set an appropriate level of remuneration according to each Director's position and responsibility, with the aim of maintaining and promoting Directors' motivation and morale with respect to their contribution to the continuance of business performance and increase in corporate value over the medium- to long-term. In particular, remuneration for our executive directors is comprised of a fixed base remuneration (cash remuneration), remuneration that is conditional on tenure (restricted stock remuneration), performance-linked remuneration for a single fiscal year (restricted stock remuneration) and performance-linked remuneration for the medium- to long-term (restricted stock remuneration).



Remuneration for part-time directors and Outside Directors who have supervisory functions is only comprised of a fixed base remuneration (cash remuneration) based on their roles and responsibilities.

c) Outline of policy for determining the ratio of performance-linked and non-performance-linked remuneration

Fixed base remuneration and remuneration based on tenure conditions are not directly linked to consolidated business results. The performance-linked remuneration for the single fiscal year and the medium- to long-term performance-linked remuneration for the executive directors are linked to the consolidated business results, and the scale of each remuneration is generally from 0 to 4 months (from 0 to 5 months for the final fiscal year of the medium- to long-term performance-linked remuneration) of the basic monthly remuneration for each person depending on the level of performance.

d) Method of determining the amount of remuneration for company auditors

The maximum aggregate amount of remuneration for company auditors is resolved at the General Meeting of Shareholders, and the fixed amount of remuneration for each company auditor is determined through discussion by the company auditors at the Board of Company Auditors.

ii) Resolutions at General Meetings of shareholders regarding remuneration of Directors and Company Auditors

- At the 16th ordinary General Meeting of Shareholders held on June 27, 2008, it was approved that the maximum aggregate amount of remuneration for directors and company auditors were at ¥500 million or less per year and ¥100 million or less per year respectively. The number of directors and company auditors were 14 and four as of the date of the shareholders' meeting resolution, respectively.
- At the 19th ordinary General Meeting of Shareholders held on June 28, 2011, the implementation of stock compensation-type stock options to directors (except for part-time and outside directors) within the said limit, as a substitution for the retirement benefit, was approved. The number of directors was 12 as of the date of the shareholders' meeting resolution.
- At the 28th ordinary General Meeting of Shareholders held on June 24, 2020, the implementation of restricted stock remuneration to directors (except for part-time and outside directors) within the said limit was approved. The number of directors was 13 as of the date of the shareholders' meeting resolution.
- At the 29th ordinary General Meeting of Shareholders held on June 29, 2021, it was resolved that the maximum amount of remuneration for Directors were ¥600 million or less per year, including the maximum aggregate amount of ¥50 million or less per year for Outside Directors. As of the date of the shareholders' meeting resolution, the number of directors was 12, including four Outside Directors.
- At the 30th ordinary General Meeting of Shareholders held on June 28, 2022, it was resolved that the number of shares to be issued upon exercise of each stock acquisition right of stock compensation-type stock option was changed from 400 to 1 share, and the maximum number of stock acquisition right was changed from 600 to 240,000. The number of directors was 12 as of the date of the shareholders' meeting resolution.
- At the 32nd ordinary General Meeting of Shareholders held on June 27, 2024, it was resolved that the previous director remuneration system, which was comprised of fixed monetary compensation, stock compensation-type stock options, and single-year performance-linked compensation (restricted stock remuneration), shall be renewed to establish a new director remuneration system consisting of a fixed base remuneration (cash remuneration), remuneration that is conditional on tenure as a substitute for stock compensation-type stock options (restricted stock remuneration), performance-linked remuneration for a single fiscal year (restricted stock remuneration) and performance-linked remuneration for the medium- to long-term (restricted stock remuneration). Along with this, it was also resolved that the maximum amount of monetary remuneration for Directors were ¥600 million or less per year, including the maximum aggregate amount of ¥50 million or less per year for Outside Directors, the maximum amount of remuneration for restricted stock remuneration shall be ¥700 million or less per year, and the maximum number of shares to be allotted as restricted stock remuneration shall be 140,000 shares or less per year. The single-year and medium- to long-term performance-linked remuneration are applicable to executive directors. As of the date of the shareholders' meeting resolution, the number of Directors was 12, including five outside directors and seven executive directors.

iii) Contents of determination on remuneration for individual directors

- a) Outline of the Nomination and Remuneration Committee Procedures Concerning Directors' Remuneration, etc.

The Company has voluntarily established the Nomination and Remuneration Committee to ensure and enhance fairness and transparency of decision-making regarding directors' nomination and remuneration, and it deliberates as an advisory organization to the Board of Directors in the process of determining remuneration, etc.

- b) Activities of the Nomination and Remuneration Committee in the process of determining the amount of remuneration, etc. for company directors

With respect to the determination of the amount of remuneration, etc. of directors for the fiscal year ended March 31, 2024 (FY2023), the Nomination and Remuneration Committee held a discussion on March 22, 2023. Through the examination of the Company's policy on directors' remuneration and an analysis including the comparison of remuneration levels with other companies, the committee confirmed the appropriateness of the fixed remuneration plan for directors for FY2023 and the bonus plan for directors to be paid in FY2023 based on the results of FY2022.

At the Nomination and Remuneration Committee meeting held on March 27, 2024, the committee confirmed the appropriateness of the fixed remuneration for directors for FY2024 and the bonus plan for directors to be paid in FY2024 based on the results of FY2023, through an analysis including the comparison of remuneration levels with other companies. At its meeting held on May 24, 2024, the Nomination and Remuneration Committee confirmed the appropriateness of the new remuneration structure for directors, including the introduction of medium- to long-term performance-linked remuneration, and the appropriateness of the proposals to be submitted to the Annual General Meeting of Shareholders related to directors' remuneration, including the revision of the upper limit of directors' remuneration.

- c) Matters Concerning Determination of Individual Remuneration, etc. of Directors

Regarding the amount of remuneration for each individual director, the representative directors (Koichi Suzuki and Eijiro Katsu) shall be delegated the specific content based on the resolution of the Board of Directors, and the delegated authorities are the determination of the amount of basic monthly remuneration and allocation of performance-linked remuneration of each individual director. In order to ensure that these authorities is properly exercised by the delegates, the representative directors who drafted the remuneration plan consult the Nomination and Remuneration Committee with the draft of the plan. When deciding the content of remuneration for individual directors, the Nomination and Remuneration Committee conducted a multifaceted examination of the draft, including consistency with the determination policy, therefore the Board of Directors recognizes that it is in line with the policy. The reason for delegating to the representative directors is that the representative directors are the most suitable to evaluate the responsibility and performance of each director while taking a comprehensive perspective of the overall performance of the Company.

- iv) Contents of performance-linked remuneration and non-monetary remuneration

There was a stock compensation-type stock option plan for directors (excluding part-time and outside directors) of the Company during the period from June 2011 to June 2024 as a substitution for the retirement benefit.

In June 2020, the Company had introduced restricted stock remuneration as performance-linked remuneration for a single fiscal year for directors (excluding part-time directors and outside directors).

In June 2024, the Company reformed its former director remuneration system and introduced a new director remuneration system consisting of a fixed base remuneration (cash remuneration), remuneration that is conditional on tenure as a substitute for stock compensation-type stock options (restricted stock remuneration), performance-linked remuneration for a single fiscal year (restricted stock remuneration) and performance-linked remuneration for the medium- to long-term (restricted stock remuneration).

#### **[Supporting System for Outside Directors and/or Company Auditors]**

Full-time directors and company auditors in charge make a contact, etc. to outside directors and outside company auditors. Prior to a meeting of the Board of Directors, the materials for the meeting are dispatched to outside directors and outside company auditors.

## **2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of the Current Corporate Governance System)**

[Overviews of business execution system, auditing and supervision system and reasons for adopting the systems]

Based on the annual business plan, which is formulated according to the corporate philosophy and annually approved by the Board of Directors, executive officers and business execution organizations prompt the business to achieve the goals.

Oversight and supervision of business execution is carried by means of ordinary (monthly) and extraordinary meetings of the Board of Directors, management meetings consisting of executive officers, etc., and monitoring and giving the necessary instructions to each of its business, project, subsidiary, etc. Oversight on business management and business audit are carried by means of ordinary (monthly) and extraordinary meetings of the Board of Company Auditors, assignment of a financial expert/legal expert in the Board of Company Auditors, conducting continuous audit including its domestic subsidiaries and affiliates as well as overseas by Company Auditors and the Internal Auditing Office, and operation of whistleblowers hotline system. Regarding risk management, executive officers in charge of business execution are responsible for identifying and evaluating risks, and taking countermeasures against them in businesses within the scope of responsibilities. Further, the Company has established committees such as the Internal Control Committee and the Disclosure Committee to evaluate risks and take countermeasures against them depending on the type of risks. Regarding sustainability promotion, the Company has also established the Sustainability Committee to plan activity policies, consider and promote measures for each theme across the whole company, confirm and verify the progress, and submit and report the details of such activities to the Company's Board of Directors. Business activities by directors and employees of the Company and its subsidiaries are governed by the Code of Ethics, the Basic Rules for Internal Control, etc.

The Company has outside directors and outside company auditors with the aim of ensuring appropriateness and transparency of business executions and enhancing the supervisory functions of management. The Company's Board of Directors consists of twelve directors, including five independent outside directors and the Company's the Board of Company Auditors consists of four company auditors, including two independent outside company auditors. With emphasis on high degree of independence, abundant experience and profound knowledge of management or telecommunication industry, outside directors are elected. With emphasis on high degree of expertise and independence, outside company auditors are elected, including an attorney from a Japanese law firm and a certified public accountant. Further, the Company has an Internal Auditing Office consisting of six members.

Regarding statutory disclosure and timely disclosure, the Company has established the Disclosure Committee, which consists of directors, company auditors and executive officers. The Company discloses information after the appropriateness and completeness of the information is verified by the Disclosure Committee.

Regarding risk assessment, the Company establishes the committee organizations for each risk area as needed, and identifies the risk, assesses the identified risk and takes measures against the risk.

[Appointment and determination of remuneration, etc.]

Regarding nomination of candidates for company directors and company auditors, the representative directors submit nomination proposals, which are based on the internal criteria to the Nomination and Remuneration Committee. Through discussions at the committee, the proposals are resolved by the Board of Directors which submits to the General Meeting of Shareholders of the Company.

Regarding the dismissal of the Board of Directors, after the Nomination and Remuneration Committee takes violation of laws and/or the Articles of Incorporation in business execution, mental and physical well-being as well as accountability of business performance into consideration and through discussion, the Board of Directors resolves and submits to the General Meeting of Shareholders of the Company.

Regarding remuneration for Company Directors and Auditors, please see “ II .1. [Director Remuneration] ” of this report.

### **3. Reasons for Adoption of the Current Corporate Governance System**

The Company is a company with the Board of Company Auditors and elects outside directors. Outside directors elected have abundant experience and profound knowledge, and therefore the Company's supervisory function on management execution has been enhanced. Within the Board of Company Auditors members, an attorney and a certified public accountant have been elected, therefore the company's supervisory functions on execution of duties by directors has been enhanced.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

|   | Supplementary Information  |
|---|--|
| Early Distribution of General Shareholder Meeting   | In connection with the Ordinary General Meeting of Shareholders held on June 27, 2024, the Convocation notice was disclosed on the Company's website and the Tokyo Stock Exchange's website on May 31, 2024, and sent on June 7, 2024. |
| Allowing Exercise of Voting Rights by electronic means  | Since the Ordinary General Meeting of Shareholders held on June, 2006, the Company has allowed shareholders to exercise voting rights on the Internet.   |
| Participation in Electronic Voting Platform and Other Measures to Improve the Environment for Institutional Investors to Exercise their Voting Rights | The Company has participated in the Electronic Voting Platform for Institutional Investors that is operated by ICJ Inc. (Investor Communications Japan)  |
| Providing Convocation Notice in English   | The Company prepares full text English versions of the Convocation notices simultaneously with the Japanese document.  |
| Other   | The Convocation notice both in Japanese and English is disclosed on the Company's website.   |

#### 2. IR Activities

|   | Supplementary Information   | Explanation by representative |
|---|---|-------------------------------|
| Preparation and Publication of Disclosure Policy                    | The Disclosure Policy, which is corresponding to the Japanese Fair Disclosure Rule, has been established and disclosed.   | -                             |
| Regular Investor Briefings for Individual Investors                 | The Company holds IR meetings several times for individual investors in a year.   | Yes                           |
| Regular Investor Briefings for Analysts and Institutional Investors | The Company holds investor briefings in principle for analysts and institutional investors after announcement of its financial results each quarter. Also, the Company participates in IR conferences several times a year which are held by securities companies.  | Yes                           |
| Regular Investor Briefings for Foreign Investors                    | The Company holds investor briefings (including IR Roadshow, overseas IR conferences held by securities companies and video-conference) for foreign institutional investors several times a year.   | Yes                           |
| Disclosing of IR Materials on Website                               | Quarterly financial results ( <i>shihanki-houkokusyo</i> ), annual report ( <i>yuka-shoken-houkokusyo</i> ), newsletters to shareholders' ( <i>Kabunushi Tsushin</i> ), IR schedule such as earnings announcement, news release, management message and company information are disclosed on the Company's website ( <a href="https://www.ij.ad.jp/en/">https://www.ij.ad.jp/en/</a> ). | -                             |

|  |   |   |
|--|---|---|
| Department and Manager in Charge of IR | The department in charge of IR activities is Financial Department which is under Finance Division. The officer in charge of IR activities is Mr. Akihisa Watai, Member of the Board, Senior Managing Executive Officer and CFO. | - |
|--|---|---|

### 3. Measures to Ensure Due Respect for Stakeholders

|   | Supplementary Information  |
|---|--|
| Stipulation of Internal Rules for Respecting the Position of Stakeholders | The Code of Ethics defines that officers and employees to recognize their social responsibility towards wide range of stakeholders. Officers and employees are required to make great effort to obtain understanding of stakeholders.  |
| Implementation of Environmental Activities, CSR Activities, etc.          | For more information about the Company's Environmental Activities, CSR Activities, etc., please refer to the Company's IR website "Integrated Report Portal"<br><br>Integrated Report Portal:<br><a href="https://www.ij.ad.jp/en/ir/integrated-report/">https://www.ij.ad.jp/en/ir/integrated-report/</a><br><br>Sustainability:<br><a href="https://www.ij.ad.jp/en/ir/integrated-report/sustainability/">https://www.ij.ad.jp/en/ir/integrated-report/sustainability/</a><br><br>Information Disclosure based on the TCFD Recommendations:<br><a href="https://www.ij.ad.jp/en/ir/integrated-report/tcf/">https://www.ij.ad.jp/en/ir/integrated-report/tcf/</a> |
| Development of Policies on Information Provision to Stakeholders          | The Disclosure Policy, which is corresponding to the Japanese Fair Disclosure Rule, has been established and disclosed.  |

## IV. Matters Related to the Internal Control System

### 1. Basic Policy on Internal Control System and the Progress of System Development

The Company's basic policy on its internal control system is as follows and the Company prepares its internal control based on the following.

#### 1) Basic policy

The Company builds the internal control system in accordance with the basic framework ("the framework") set forth in "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" issued by the Business Accounting Council for (1) Effectiveness and efficiency of business operations, (2) Reliability of financial reporting (3) Compliance with applicable laws and regulations relevant to business activities, and (4) Safeguarding of assets.

Based on the framework, the Company defines the main elements to build the internal control system as follows.

- (1) Control environment
- (2) Risk assessment and response
- (3) Control activities
- (4) Information and communication
- (5) Monitoring (Monitoring Activities)
- (6) Response to IT (Information Technology) (Communicating Information)

Based on the framework, the Company executes various measures to create internal control system and seeks to improve the system continuously.

## 2) Matters under the Companies Act of Japan

The basic policy, to ensure the propriety of business operations within the corporate group consisting of the Company and its subsidiaries, is established in accordance with Article 362 paragraph 5 of the Companies Act of Japan, and is a part of internal control based on the framework. The details are followed.

### 1. Systems for ensuring the compliance of directors and employees with the law and articles of incorporation in the execution of their duties.

- (1) The Company will establish a code of ethics that sets for a standard of conduct and requires strict adherence to the law. In addition, the Company will establish regulations for applying the laws regarding the prevention of insider trading, the protection of personal information, and among others. The company will disseminate those regulations to officers and employees, and conduct periodic education.
- (2) The Company will establish a system for appointing the necessary personnel to ensure compliance with the law, and for consulting with lawyers and other experts outside the Company.
- (3) The Company will establish an internal reporting system for reporting any legal violations, and will operate a kind of whistle-blower system with a contact point protecting the person reporting, in accordance with legal requirements.
- (4) An Office of Internal Audits under the direct control of the President will conduct internal audits on a regular basis, indicating where each division could improve compliance with the law, and overseeing the improvements.
- (5) For legally required reports, ad hoc reports, and other types of releases, the Company will establish a Disclosure Committee whose members consist of directors, outside directors, executive officers and company auditors, who will evaluate the content for appropriateness and completeness, and approve any material to be released.

### 2. Systems for preserving and managing information related to the execution of duties by directors.

- (1) Basic policy and procedures regarding the handling of information assets will be set and followed in the handling of information and documents related to the execution of duties by directors (“performance information”), these policies and procedures will detail who is responsible for managing the information, how long the information is to be stored, how it is to be stored, measures for countering loss or leakage of the information, and proper management of the information. The management of this information will be reviewed on a regular basis.
- (2) The Company will create a system that ensures the proper filing of performance information (committing it to electronic storage when necessary), and that enables the quick verification of the existence, condition, and content of these documents. In addition, the system will allow people with the proper authority to view documents related to the company auditors and others without delay.
- (3) The duties related to the above fall under the jurisdiction of a director or an executive officer in charge of information security and a director or an executive officer in charge of document management of the Company.

### 3. Regulations governing risk management and other systems.

- (1) The director (or executive officers) that oversee the operation of each division will identify the risks defined by the governing regulations, evaluate these risks, and develop measures to counter these risks, as well as review them on a regular basis.
- (2) For certain risk categories, the “Evaluation Committee” will be established to evaluate the risk and to develop countermeasures.
- (3) A Business Continuity Plan will be developed to address potential emergency situations.
- (4) The Internal Auditing Office under the direct control of the President will conduct internal audits on a regular basis, indicating where each division could improve operations, including risk management, and overseeing the improvements.

### 4. Systems for ensuring the efficient execution of duties by directors.

- (1) A business plan for each fiscal year will be formulated in line with management objectives, and each business organization will actively seek to achieve the goals put forth in the plan. In addition, regular progress reports will be submitted and reviewed to monitor progress on each target.
- (2) As for management of operations, all issues that should be decided by the Board of Directors in accordance with the Regulations of the Board of Directors will be strictly decided by the Board, and as a basic rule of the decision-making process, sufficient documentation on the issue to be decided will be distributed to all Board members in advance.
- (3) In the execution of daily duties, authority will be delegated based on the scope of authority regulations and division of duties regulations, and managers at each level will execute their duties while complying with the rules of the decision making process.
- (4) To reinforce the Board of Directors' authority, a certain number of people with notable management acumen will be appointed as outside directors.

5. Systems for ensuring the proper operation of corporate groups consisting of the Company and its subsidiaries.

- (1) Subsidiaries will be managed based on the subsidiary management regulations, which are the basic policy of subsidiary management, and an agreement will be made with the parent company regarding the management of the subsidiary.
- (2) Subsidiaries will report on required items, and a system for consultation will be established.
- (3) To impose internal control on important items, regulations governing the entire corporate group will be established, and subsidiaries will be required to comply with them.
- (4) The Company's Internal Auditing Office will perform internal audits of subsidiaries.

6. Providing employee to assist company auditors, securing those employees' independence from directors and effectiveness of company auditors' instruction to those employees.

- (1) The Company establishes the Internal Auditing Office under direct control of President and assigns to the Office as the full-time basis. These employees work closely with the company auditors to reflect their opinions on the Company's internal audit plan.
- (2) The selection, appointment, and transfer of employee assigned to the Internal Auditing Office should be conducted with full consideration of the opinions from the Board of Company Auditors.
- (3) Other than above, it will be consulted and decided with the Board of Company Auditors as for assignment of employees who assist the company auditors and arrangement to ensure effectiveness of the company auditors' instruction to these employees.

7. Systems that directors and employees of the Company and its subsidiaries make a report to the company auditors, and systems preventing the person who makes report to the company auditor from being disadvantageously treated due to such report.

- (1) In accordance with the provisions of the Board of Company Auditors, Directors and employees will report and provide information upon or periodically upon the company auditor's request.
- (2) Company auditors will be a member of panel such as Disclosure Committee that makes the important decision-making.
- (3) In the Whistle-blower System of the Company, if the subject matter of the report involves Directors, the investigation shall be conducted under the direction of the Company Auditors. Whistle-blower will be safely protected and kept secret, and it is prohibited that the Company disadvantageously treats that person whether the whistleblowing is anonymous or not.

8. Policies on prepaid expenses for the execution of the duties of the company auditors, on expenses for procedures for repayment and execution of other relevant duties, or on debt processing.

The Company will establish budget for the Board of Company Auditors for the execution of their duties every year, and will listen to Company auditors' opinion.

9. Other systems for ensuring effective company auditors' audits

- (1) In order to ensure that the Board of Company Auditors can properly execute their duties, the necessary external experts will be retained.
- (2) To preserve the independence of the accounting auditors, the Company and its subsidiaries are not allowed to receive the accounting auditors' services which could possibly harm their independence (including the person related the accounting auditors) as well as takes appropriate measures to obtain

- consent to the accounting auditors remuneration and others by the Board of Company Auditors in an appropriate manner.
- (3) The Company makes an effort to appoint a financial expert/legal expert for Company Auditors.

## 2. Basic Views on Eliminating Anti-Social Forces

Towards the elimination of Anti-Social Forces, the Company has followings as basic policies, provisions to that effect to the Code of Ethics and disseminates that.

- (1) Do not respond to undue claims.
- (2) Do legal responses of civil and criminal in the event of emergencies.
- (3) Do not provide any funds and information to Anti-Social Forces.

The Company's Compliance Division is a corresponding department to oversee anti-social forces and cooperates with external organizations such as law enforcement and the Company's attorney.

## V. Other

### 1. Adoption of Anti-Takeover Measures

| Adoption of Anti-Takeover Measures | Not Adopted |
|------------------------------------|-------------|
| Supplementary Information          |             |
| -                                  |             |

### 2. Other Matters Concerning to Corporate Governance System

As the company is listed on the Tokyo Stock Exchange, the company implements internal control and discloses in accordance with the Financial Instruments and Exchange Law of Japan. Further, based on the Financial Instruments and Exchange Law, the Company and its subsidiaries have received the internal control audit by the accounting auditor, regarding the construction and the evaluation of the internal control related to making of the consolidated financial statements.

[The Company's structure regarding timely disclosure of the Company's information]

The Company has established the Code of Information Disclosure and the Disclosure Committee on the basis of that code in order to disclose in properly, timely and fairly manner. The Disclosure Committee consists of Chairman, President, CFO, directors, executive officers and company auditors. The Disclosure Committee has verified the appropriateness and completeness of the disclosure contents, and approved the disclosure. Further, the Disclosure Committee has received reports of disclosure system and guidelines, etc. from the information disclosure officer, and performed the control evaluation.

Disclosure procedure is as follows.

- (1) Collection of information and decision of disclosure  
The information from the decision-making organization, executive divisions and subsidiaries, etc., is aggregated in Finance Division. Finance Department under Finance Division confirms whether



the information is required to disclose, collects the information and submits the collected information to the information disclosure officer. The information disclosure officer decides whether to disclose.

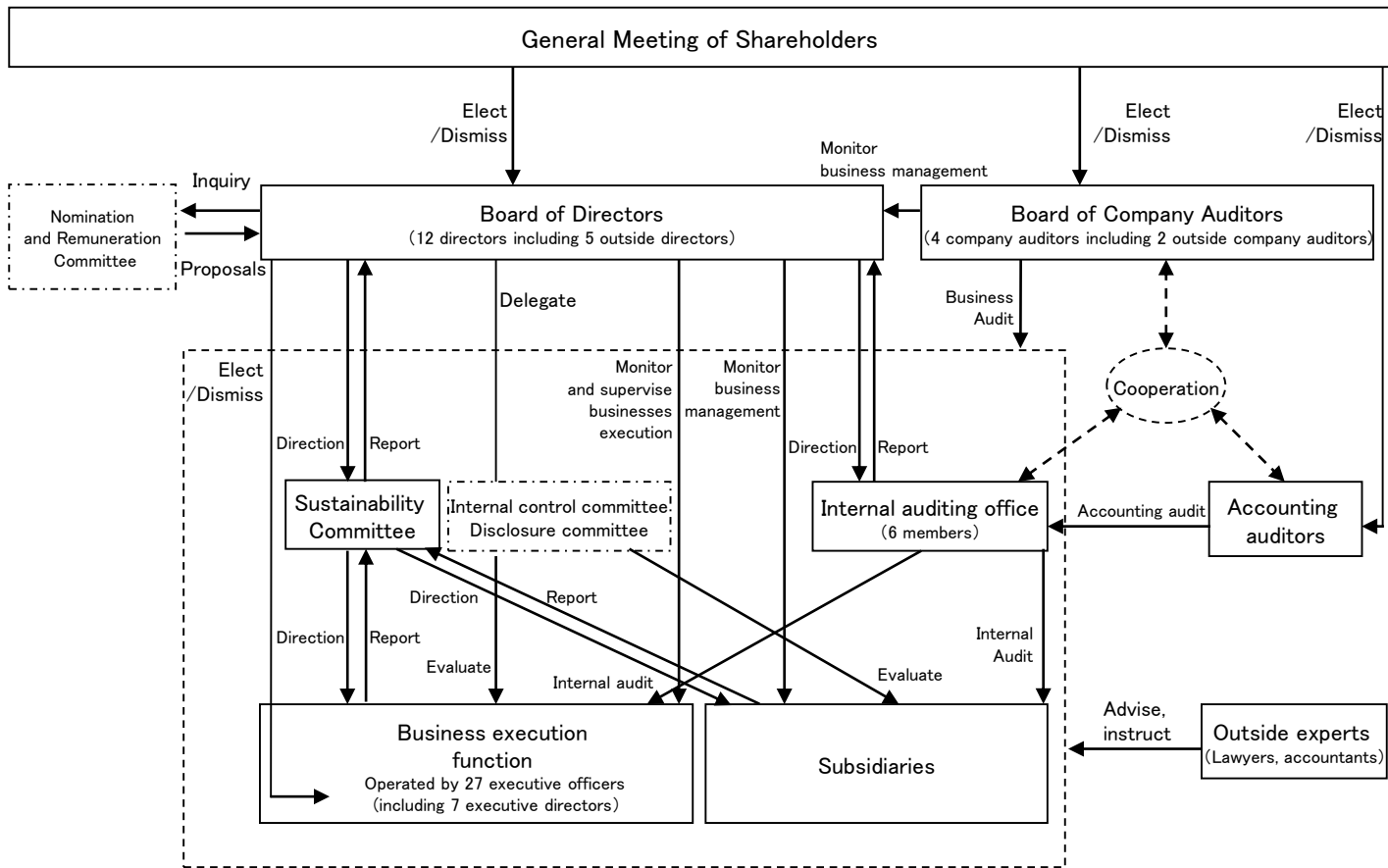
(2) Creating disclosure wordings and submitting to the Disclosure Committee

The Company appoints the information disclosure officer as the operating officer of the Disclosure Committee. Finance Department under Finance Division creates disclosure wordings promptly. The disclosure wordings are submitted to the Disclosure Committee who verifies the appropriateness and completeness of the disclosure contents. Further, the Disclosure Committee verifies whether that the disclosure has been made comprehensively.

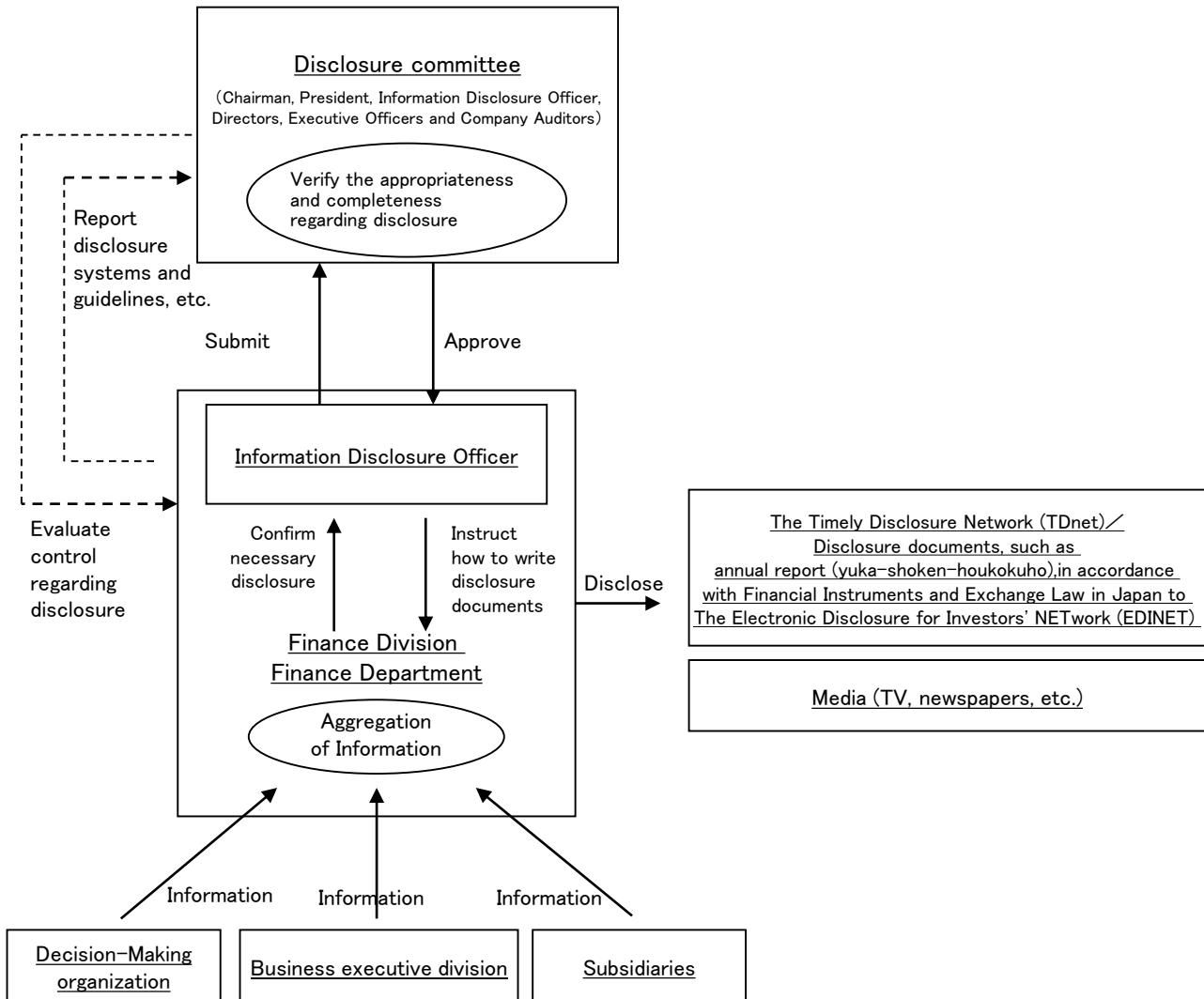
(3) Disclosure guidelines

The information is disclosed by the “Timely Disclosure network (TDnet)” on the Tokyo Stock Exchange, the press and the Company’s website. These materials are disclosed in Japanese and English.

<Outline Map of the Corporate Governance system>



<Outline of Timely Disclosure System (diagram) >



## 【Directors' Skill Matrix (Reference Material)】

### “Policy for Appointment of Directors”

The Company's Board of Directors consists of appropriate members who have extensive experience and high-level expertise necessary for the Company in accordance with the "Directors' Skill Matrix" which defines clearly requirements for directors in order to realize its business philosophy. Full-time directors are mainly appointed from those who are familiar with the IT industry, including members who have been involved in its foundation, and outside directors are mainly appointed from those who have extensive experience and knowledge as top management of large companies. The nomination of each director, which takes into consideration the balance of experience and expertise of the Board of Directors as a whole, is consulted with the Nomination and Remuneration Committee. After the committee evaluates and verifies their appropriateness, each director is appointed through necessary procedures such as the General Shareholders' Meeting and the Board of Directors.

### “Definition of required skills”

| Skills                 | Requirements   |
|------------------------|--|
| Top Management         | Management experience as a top management executive  |
| IT Expertise           | Business experience in the IT industry   |
| Sales                  | Management experience in sales division  |
| Technology, R&D        | Management experience in technology division, Experience of developing new technologies and services, etc. |
| Global                 | Management experience in global businesses, working experience abroad                                      |
| Finance and Accounting | Expertise and experience in finance and accounting division  |
| Governance             | Experience as the head of a corporate division, experience as an independent director, etc.                |

### “Definitions of skills”

| Name                | Position / Responsibility   | Independent Director | Top Management | IT Expertise | Sales | Technology, R&D | Global | Finance and Accounting | Governance |
|---------------------|---|----------------------|----------------|--------------|-------|-----------------|--------|------------------------|------------|
| Koichi Suzuki       | Member of the Board, Representative Director<br>Chairman and Co-CEO   |                      | ○              | ○            |       | ○               | ○      |                        | ○          |
| Eijiro Katsu        | Member of the Board, Representative Director<br>President and Co-CEO & COO                                  |                      | ○              | ○            |       |                 | ○      |                        | ○          |
| Satoshi Murabayashi | Member of the Board<br>Executive Vice President   |                      | ○              | ○            |       | ○               |        |                        | ○          |
| Yasuhiko Taniwaki   | Member of the Board<br>Executive Vice President   |                      |                | ○            |       | ○               | ○      |                        | ○          |
| Koichi Kitamura     | Member of the Board<br>Senior Managing Executive Officer<br>Business Unit Director                          |                      |                | ○            | ○     |                 | ○      |                        |            |
| Akihisa Watai       | Member of the Board<br>Senior Managing Executive Officer and CFO<br>Division Director of Financial Division |                      |                | ○            |       |                 | ○      | ○                      | ○          |
| Junichi Shimagami   | Member of the Board<br>Senior Managing Executive Officer and CTO<br>Technology Unit Director                |                      |                | ○            |       | ○               |        |                        |            |
| Takashi Tsukamoto   | Outside Director  | ●                    | ○              |              |       |                 | ○      | ○                      | ○          |
| Kazuo Tsukuda       | Outside Director  | ●                    | ○              |              |       | ○               | ○      |                        | ○          |
| Yoichiro Iwama      | Outside Director  | ●                    | ○              |              |       |                 | ○      | ○                      | ○          |
| Atsushi Okamoto     | Outside Director  | ●                    | ○              |              |       |                 | ○      |                        | ○          |
| Kaori Tonosu        | Outside Director  | ●                    |                | ○            |       | ○               |        |                        | ○          |