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# Corporate Governance Report

CORPORATE GOVERNANCE

Digital Garage, Inc.

Last Update: June 28, 2024

**Digital Garage, Inc.**

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The corporate governance of Digital Garage, Inc. (the “Company”) is described below.

## I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information

### 1. Basic Views

The Company adopts the following "Principle" and "Credo" in order to enhance sustainable growth and corporate value in the medium- to long-term, to earn the trust of its shareholders and various stakeholders, as well as to reinforce its corporate governance, which values transparent, fair, swift, and decisive decision-making.

< Principle >

Think for yourself and question authority.

< Credo (Behavioral Philosophy) >

- TENACITY      Have a strong will
- OPENNESS     Question common sense and norms
- INTEGRITY     Be honest and morally upright
- AGILITY        Be agile
- COURAGE       Be brave

Founded on the aforementioned "Principle" and "Credo", the Company has a clear purpose of "Designing 'New Context' for a sustainable society with technology." The Company has pioneered launching multiple first-of-its-kind Internet services in Japan through developing and incubating businesses that are based on two types of profit foundation: unique and leading marketing technologies, and durable and high-quality financial technologies.

The Company’s mission is to follow the “First Penguin Spirit”, integrate “Technology × ESG × Incubation” with a global perspective, and continue to create a sustainable “business context”.

The Company Group's basic policy and guidelines for corporate governance are disclosed in the "Corporate Governance Policy" on its website at <https://www.garage.co.jp/en/company/corporate-governance/>.

## Reasons for Non-compliance with the Principles of the Corporate Governance Code

The Company would comply with all of the principles set forth in the Corporate Governance Code.

**(Principle 1-4: Cross-Shareholdings)**

The Company as an entity creating genuinely valuable “contexts” may hold shares for the purpose of collaborating with various companies upon the long-term and stable strategic alliances. When verifying the cross-shareholdings, the Company’s Board of Directors consults on the measures to hold shares including the sale of shares at least once a year, pursuant to evaluation criteria of economic rationality based on: (i) whether the returns from enhanced coordination, any collaboration, and creation of synergy through shareholding are expected to exceed the cost of capital, or (ii) whether they contribute to increasing the corporate value in the medium-to long-term. When exercising voting rights for cross-shareholdings, the Company would exercise the rights in an adequate manner after comprehensive consideration of whether it contributes to improving the corporate value of the issuing company and the Company Group in the medium-to long-term.

With regard to the shares held as of the end of March 2024, the Company has determined it is appropriate to hold all the shares, considering overall factors including the medium-to long-term economic rationality and the need to maintain and enhance relationships with invested companies.

**(Principle 1-7: Transaction between Related Parties)**

The Company Group would conduct proper oversight of transactions between related parties by obtaining approval of or reporting to the Board of Directors to ensure the transactions do not harm the common interests of the Company or its shareholders.

**(Supplementary Principle 2-4(1): Ensuring Diversity by Appointing Core Human Resources)**

(1) Human Assets Development Policy

It is believed human resources that is an intangible asset is essential for the business growth of the Company Group. In particular, the Company recognizes the need to build a diversified talent portfolio composed of personnel who are able to create businesses and materialize them utilizing technology, and are experts with specialized knowledge. The Company Group valued the "First Penguin Spirit" since the Company’s establishment and has been the first to take on challenges having the courage and strong will in the face of risks, never being satisfied with the status quo. The Company continuously takes measures to drive proactive growth through unconventional thinking and flexibility.

As part of the measures, the Company has revised the personnel system to include an expert course newly established as one of career options in addition to the existing management course and created an environment which enables the experts with a wealth of expertise to play active roles in all positions. The Company takes steps to accelerate the growth of its employees by implementing systems to enhance career support measures, in which superiors support the autonomous career development of employees, so that every employee grows displaying each strength.

The Company continues to accelerate growth in the business of the Company Group and contribute to a sustainable society through its business by working on the development of personnel who carve out a future.

(2) Diversity in Workforce

The Company Group, since its establishment, has implemented to appoint talented people with emphasis on its abilities and achievements regardless of the factors such as gender, nationality, or career, in order to develop the various businesses under dynamically changing market circumstances. The Company fosters diversity by hiring persons with a variety of cultures, values and skills, and offering opportunities for each to challenge the works and roles. As a result, the ratio of “Career Recruitment” of all is 92.0% and the ratio of female employees of all is 37.9%, the Company actively works on improvement of work environment and developments of systems including promotion of the advancement of females in the workplace.

As the Company Group expands its business globally, 9.5% of all employees are foreign nationals, 17.9% are bilingual, and 10.2% are those who grew up overseas or studied abroad as of the end of March 2024. In addition to the investment

in overseas ventures, the Company further enhances communication and relationships with stakeholders through regional revitalization and promotions of the local community in Japan to mount new technologies in industry on a global scale beyond borders.

Realizing the Company Group's purpose, the Company collaborates with diverse employees across group companies and segments, thereby reinforcing internal communication within the Company Group.

(3) Improvement of In-house Working Environment

As part of the dedication to creating a more comfortable working environment, the Company Group has introduced work styles such as remote work and flexible working systems which allow employees to flexibly choose their preferred work styles that suit their individual lifestyle. In terms of realizing the quality of life through work, the Company endeavors prevention or precaution of accidents by managing working hours utilizing an attendance management system and monitoring and taking measures utilizing data such as 360-degree surveys and engagement surveys. Other than the enhancement of welfare benefits, the Company has introduced a babysitting system, and a short-time work system than legally required which allows working parents raising a child up to the first grade of junior high school to enhance employees' benefits. In addition, the Company has defined a "Human Resources Management Policy" that sets out the promises the Company makes to individuals (employees) and what the Company expects from individuals for reinforcement of relationship between employees and the Company.

The Company will continue to design systems that flexibly respond to changes in social environment and life stages of the employees, and create an environment in which the employees, who are the driving force behind the creation of corporate value in the Company Group, are able to perform at their best.

**(Principle 2-6: Exercising the Function as an Asset Owner of a Corporate Pension Plan)**

The Company has no corporate pension fund plans, however, have introduced a defined contribution-type corporate pension plan to ensure stable asset formation for its employees.

**(Principle 3-1: Enhancement of Information Disclosure)**

(1) Corporate Philosophy, Business Strategy and Business Plan

The Company Group has been committed to its Purpose, Mission, and Value, and these are published on its website at <https://www.garage.co.jp/en/>. And the Company has formulated a five-year medium-term Business Plan with the first year being the Fiscal Year ended March 2024, and disclosed an outline of the Business Strategy on its website and disseminated information on the progress of the plan in the presentation materials of financial results, Securities Reports, and other documents.

(2) Basic Policy on Corporate Governance and its Guideline

Please refer to the above Section I.1. "Basic Views" of this report.

(3) Policies and Procedures for Determining Remuneration of Directors

Please refer to the "Director Remuneration" of Section II.1. of this report below.

(4) Policies and Procedures for Determining Director Candidates (Appointment or Dismissal)

Candidates for Directors except for the Directors who are Audit and Supervisory Committee Members and Outside Directors are appointed based on whether they have excellent personalities and insight, as well as expertise and experience to implement management of the Company accurately, fairly and efficiently. Candidates for Outside Directors are based on whether they have excellent personalities and insight, along with providing advice on overall management based on their own expertise and appropriately reflecting the views of minority shareholders and other stakeholders at the Board of Directors meeting from an independent standpoint. The President Executive Officer proposes and submits

such candidates to the Nomination and Remuneration Advisory Committee, and the Board of Directors determines on proposals of the candidates based on the recommendations of the committee by resolution. Candidates for Directors who are Audit and Supervisory Committee Members are proposed by the President Executive Officer based on whether they have excellent personalities and insight, as well as expertise and experience to audit the performance of Directors' duties accurately, fairly and efficiently. The proposals of such candidates based on the committee's recommendations are then approved by a resolution of the Board of Directors after obtaining the consent of the Audit and Supervisory Committee.

If a Director has seriously violated laws, regulations or the Articles of Incorporation in the performance of its duties, if a significant lack of eligibility exists, or if there is any other reason for dismissal pursuant to the Director Regulations, the Board of Directors determines whether or not to submit a proposal to dismiss the Director to the General Meeting of Shareholders.

(5) Explanation of Appointments and Dismissals of Executive Management, and Individual Appointments, Dismissals, Nominations of Director Candidates

The reasons for the appointment or dismissal of individual Director Candidates are disclosed in the notice of the General Meeting of Shareholders.

**(Supplementary Principle 3-1(3): Disclosure of Information Related to Sustainability Initiatives)**

The Company Group defined the purpose, "Designing 'New Context' for a sustainable society with technology", and endeavors to solve social issues by means of connecting different phenomena in context, such as "real and cyber," "Japan and overseas," "marketing and technology," and "present and future," to create new services that are beneficial and serve society. The Company is advancing efforts to enhance the Company Group's corporate value and to dedicate to contributing to the development of a sustainable society. It is considered to be achieved where the Company attempts to perceive the technological change and evolution around the world by collaborating with stakeholders including alliance partners and startup companies on research and development of new technologies to be implemented socially to improve the future. The Company's sustainability policy, governance, risk management, strategies, indicators and goals are disclosed on its website at <https://www.garage.co.jp/en/sustainability/>.

[Investment in Human Assets]

In performing and conducting the Company Group's unique and highly specialized business, the Company recognizes the Group's sustainable growth and offering value to society will be led by the diverse employees who maximize their potential.

It is believed essential to enhance the relationship between employees and the Company in order to achieve the Company Group's purpose other than that the employees with diverse backgrounds collaborate with each other. Therefore, the Company has defined a "Human Resources Management Policy" that sets out the promises the Company makes to individuals (employees) and what the Company expects from individuals to promote the development of organization and human assets to realize the vision of the Company Group as it wishes to be. The details are disclosed on the website at <https://www.garage.co.jp/en/sustainability/social/>.

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

The Company Group recognizes climate change which has a serious impact on the earth, humanity and corporate activities is not only risk but also possible new business opportunities. In consideration of these factors, the Company endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in May 2022, and have disclosed information in accordance with the TCFD recommendation on the website at <https://www.garage.co.jp/en/sustainability/environment/>.

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

The Board of Directors of the Company determines the matters stipulated by laws, regulations and the Articles of

Incorporation, and those stipulated in the Board of Directors Regulations. Any other determinations related to the execution of operations are delegated to the Executive Committee, full-time Directors, and Corporate Officers, that is set forth in internal regulations such as the Executive Committee Regulations and the Regulations of Approval.

**(Principle 4-8: Effective Use of Independent Outside Directors)**

The Company has appointed six (6) Independent Outside Directors who provide appropriate supervision and advice on overall management based on their own expertise from an independent standpoint.

**(Principle 4-9: Independence Standard and Qualification for Independent Outside Directors)**

The Company's Independent Outside Directors are appointed taking into account they are expected to play roles with providing objective and appropriate supervision or auditing based on their own expertise. And they are appointed from individuals who have no conflicts of interest with the Company and are unlikely to cause a conflict of interest with general shareholders with reference to the requirements for outside directorship under the Companies Act and independence standard pursuant to the Tokyo Stock Exchange and other institutions.

**(Supplementary Principle 4-10(1): Constitution of Voluntary Nomination and Remuneration Advisory Committee)**

Please refer to the "Voluntary Committee" in Section II.1. of this report below, presenting Name and Constitution of Committee, Attributes of Chairperson, and others.

**(Supplementary Principle 4-11(1): Views on Balance of Board Composition in Terms of Knowledge, Experience, and Skills as a Whole, Diversity and Board Size)**

The number of Directors except for the Directors who are Audit and Supervisory Committee Members is limited to ten (10), and the number of Directors who are Audit and Supervisory Committee Members is limited to five (5). For effective fulfillment of roles and responsibilities of the Board of Directors, the Company ensures the Board of Directors is composed of diverse human resources, including females and individuals who have been conducting international business serving as Directors at other companies and organizations. That is based on that diverse perspectives such as female and foreign nationals contribute to the enhancement of business and supervision of management, other than a well-balanced overall knowledge, experience, and ability. A skills matrix summarizing the specialized expertise and experience of each Director is specified in "Other" in Section V. of the report below.

**(Supplementary Principle 4-11(2): Directors' Concurrent Positions as Officers of Other Listed Companies)**

The Directors' concurrent positions serving as officers at other listed companies are disclosed in the notice of the General Meeting of Shareholders and the Securities Report. As several Directors serve as outside directors or outside auditors at other listed companies, it is considered within a reasonable scope.

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

The Company's Board of Directors, in accordance with each Director's self-evaluation, periodically uses a third-party organization to analyze and evaluate effectiveness in the view of roles and responsibilities of the Nomination and Remuneration Advisory Committee and compliance with the Corporate Governance Code as well as the views of constitution, operation, roles, responsibilities, and deliberations of the Board of Directors.

In the Fiscal Year ended March 2024, the results of a relative comparison evaluation provided by an external third-party organization confirmed that the effectiveness of the Company's Board of Directors was sufficiently ensured. This year particularly there have been confirmed and evaluated the promotion of sustainability management and enhancement of risk management system due to establishment of a risk management committee. The Company will continuously discuss how to improve corporate value in the medium-to long-term by deepening sustainability management as well as conducting

succession planning and human resource development.

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

For the purpose of performing the expected roles and duties of the Directors, they pursue to acquire the requisite knowledge and self-improvement and the Company provides them appropriate training at the Company's expense which are beneficial for acquiring the necessary knowledge.

**(Principle 5-1: Policy Related to Constructive Communication with Shareholders)**

The Company engages in constructive communication with shareholders and investors and optimizes systems to enhance communication to achieve sustainable and the medium-to long-term improvement of the corporate value.

The Director, Vice President Executive Officer and Group COO, who is responsible for communication with shareholders and investors, oversees the Investor Relations Department and conducts individual interviews, small meetings, and overseas roadshows. The Representative Director, President Executive Officer and Group CEO, and related business segments, Financial Department and other departments share information and exchange views as appropriate from each professional perspectives, thereby disclosing information which may be a prerequisite for constructive communication. Moreover, the outline of communication with capital market participants, such as shareholders, investors, and securities analysts, is reported at the Board of Directors meeting every month, and opinions received during communication are shared with internal and external Directors as necessary and reflect in improvements to Business Strategies and Investor Relations activities.

When engaging in communication with shareholders and investors, the Company pays adequate attention to the fairness of information disclosure and appropriately controls insider information pursuant to the Company's Disclosure Policy.

(Investor Relation activities: Approximately 150 individual meetings and four (4) small meetings were held in the Fiscal Year ended March 2024)

**(Action to Implement Management that is Conscious of Cost of Capital and Stock Price [English disclosure available])**

The Company Group is committed to improving the corporate value through sustainable business expansion. Based on management focused on cash flow, the Company implemented investments for future growth with capital efficiency and cash flow allocation while maintaining financial soundness and optimizing the balance between shareholder returns.

In the medium-term Business Plan beginning in the Fiscal Year ended March 2024, the Company is positioning the payment business in which a high return on capital is expected as the Company Group's business foundation. And it is expected to accelerate growth and improve its return on capital by making continuous investments for future growth and working on the development of business in new areas in which any links to the payment business are intended.

Further, the Company Group has defined a dividend policy of progressive dividends funded by recurring cash flows generated from the business to realize stable returns to shareholders and maximize the corporate value through business growth.

## 2. Capital Structure

|                            |             |
|----------------------------|-------------|
| Foreign Shareholding Ratio | 30% or more |
|----------------------------|-------------|

### Status of Major Shareholders Updated

| Name or Company Name                            | Number of Shares Owned | Percentage (%) |
|---|------------------------|----------------|
| Kaoru Hayashi                                   | 5,764,100              | 12.17          |
| Resona Holdings, Inc.                           | 5,240,000              | 11.06          |
| The Master Trust Bank of Japan (Trust Accounts) | 4,507,900              | 9.51           |
| JCB Co., Ltd.                                   | 2,364,500              | 4.99           |
| Dentsu Group Inc.                               | 2,348,000              | 4.96           |
| BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)      | 1,848,852              | 3.90           |
| HAYASHI CAPITAL, Inc.                           | 1,803,900              | 3.81           |
| Custody Bank of Japan, Ltd. (Trust Accounts)    | 1,376,394              | 2.91           |
| OASIS JAPAN STRATEGIC FUND LTD.                 | 1,100,000              | 2.32           |
| Toshiba Tec Corporation                         | 949,500                | 2.00           |

|   |   |
|---|---|
| Name of Controlling Shareholder, if applicable (excluding Parent Companies) | - |
|---|---|

|                                       |      |
|---------------------------------------|------|
| Name of Parent Company, if applicable | None |
|---------------------------------------|------|

### Supplementary Explanation Updated

In the Large Volume Holding Report made available for public inspection on April 20, 2023, it is stated Schroder Investment Management (Japan) Limited and its joint holder, Schroder Investment Management North America Limited, hold the following shares as of April 14, 2023, however, they are not included in the above Major Shareholders since the Company is unable to confirm the actual number of shares held by them as of March 31, 2024. In this regard, the details of Report are as follows.

- Number of shares held by Schroder Investment Management (Japan) Limited is 2,102,100 (4.42%).
- Number of shares held by Schroder Investment Management North America Limited is 172,700 (0.36%).

In the Large Volume Holding Report made available for public inspection on June 7, 2023, it is stated FIL Investments (Japan) Limited holds the following shares as of May 31, 2023, however, they are not included in the above Major Shareholders since the Company is unable to confirm the actual number of shares held by them as of March 31, 2024. In this regard, the details of Report are as follows.

- Number of shares held by FIL Investments (Japan) Limited is 1,882,400 (3.95%).

In the Large Volume Holding Report made available for public inspection on September 25, 2023, it is stated Asset Management One Co., Ltd. holds the following shares as of September 15, 2023, however, they are not included in the above Major Shareholders since the Company is unable to confirm the actual number of shares held by them as of March 31, 2024. In this regard, the details of Report are as follows.

- Number of shares held by Asset Management One Co., Ltd. is 1,632,400 (3.43%).

In the Large Volume Holding Report made available for public inspection on April 4, 2024, it is stated Nomura Securities Co., Ltd. and the two (2) companies which are its joint holder hold the following shares as of March 29, 2024, however, they are not included in the above Major Shareholders since the Company is unable to confirm the actual number of shares held by them as of March 31, 2024. In this regard, the details of Report are as follows.

- Number of shares held by Nomura Securities Co., Ltd. is 1,098,266 (2.31%).
- Number of shares held by Nomura International plc is 9,996 (0.02%).
- Number of shares held by Nomura Asset Management Co., Ltd. is 1,082,800 (2.27%).

### 3. Corporate Attributes

|   |  |
|---|--|
| Listed Stock Exchange and Market Segment  | Prime Market of Tokyo Stock Exchange           |
| Fiscal Year-End   | March  |
| Business Sector   | Information & Communication                    |
| Number of Employees (Consolidated) as of the End of the Previous Fiscal Year <b>Updated</b> | 1,000 or more                                  |
| Net Sales (Consolidated) for the Previous Fiscal Year                                       | ¥10 billion or more but less than ¥100 billion |
| Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year               | 10 or more but fewer than 50                   |

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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### 5. Other Special Circumstances which May Have a Material Impact on Corporate Governance

Not applicable.



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

### 1. Organizational Composition and Operation

|                             |                                    |
|-----------------------------|------------------------------------|
| Corporate Governance System | Company with Supervisory Committee |
|-----------------------------|------------------------------------|

#### Directors

|   |           |
|---|-----------|
| Number of Directors Stipulated in Articles of Incorporation       | 15        |
| Directors' Term of Office Stipulated in Articles of Incorporation | 1 year    |
| Chairperson of the Board  | President |
| Number of Directors   | 13        |
| Election of Outside Directors                                     | Elected   |
| Number of Outside Directors <b>Updated</b>                        | 7         |
| Number of Independent Directors                                   | 6         |

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

| Name              | Attributes                  | Relationship with the Company* |   |   |   |   |   |   |   |   |   |   |
|-------------------|-----------------------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|
|                   |                             | a                              | b | c | d | e | f | g | h | i | j | k |
| Hiromi Ozaki      | From another company        |                                |   |   |   |   |   |   |   |   |   |   |
| Mitsushi Nishida  | From another company        |                                |   |   |   |   |   |   |   |   |   |   |
| Hironobu Moriyama | From another company        |                                |   |   |   |   |   |   |   |   |   |   |
| Masako Ikeda      | Attorney at law             |                                |   |   |   |   |   |   |   |   |   |   |
| Junji Inoue       | From another company        |                                |   |   |   |   |   |   |   |   |   |   |
| Koji Makino       | Certified public accountant |                                |   |   |   |   |   |   |   |   |   |   |
| Shuma Uchino      | From another company        |                                |   |   |   |   |   |   |   |   |   |   |

\*Categories for "Relationship with the Company".

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- Person who executes business for the Company or its subsidiary
- Person who executes business for a non-executive director of the Company's parent company
- Person who executes business for a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for said person/entity
- Major client of the Company or a person who executes business for said client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company in addition to remuneration as a director/company auditor
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to director him/herself only)
- Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to director him/herself only)

- j. Person who executes business for an entity receiving donations from the Company (applies to director him/herself only)  
k. Other

Outside Directors' Relationship with the Company (2)

| Name              | Membership of Supervisory Committee | Designation as Independent Director | Supplementary Explanation of the Relationship | Reasons for Appointment  |
|-------------------|-------------------------------------|-------------------------------------|---|--|
| Hiromi Ozaki      |                                     | ○                                   | -   | <p>Hiromi Ozaki has extensive experience and expertise in the fields of art, design, technology, and other areas. As she offered beneficial views and suggestions from a wide range of perspectives especially in the trend and movement of web3 and diversity equity &amp; inclusion, the Company has determined her contribution is further expected to appropriate oversight of business operations and ensure the sound management for pursuing sustainable management of the Company.</p> <p>She is designated as an Independent Director, considering that she has no conflicts of interest with the Company and maintains a high level of independence, and is unlikely to pose a conflict of interest with general shareholders.</p> |
| Mitsushi Nishida  |                                     |                                     | -   | <p>Mitsushi Nishida has extensive experience working on development projects related to payment at a major listed company that develops systems for financial services, payments and other services and also has years of experience in business development and management. The Company therefore has determined he is expected to provide appropriate strategic guidance and management oversight for pursuing the FinTech business of the Company.</p>  |
| Hironobu Moriyama |                                     | ○                                   | -   | <p>Hironobu Moriyama has extensive experience and expertise in the field of corporate management and financial services. As he is particularly knowledgeable about global financial business and has extensive insights in the startups in Japan, the Company has determined he is expected to provide appropriate strategic guidance and management oversight for pursuing the FinTech business of the Company.</p> <p>He is designated as an Independent Director, considering that he has no conflicts of interest with the Company and maintains a high degree of independence, and is unlikely to cause a conflict of interest with general shareholders.</p>   |

|              |   |   |   |  |
|--------------|---|---|---|--|
| Masako Ikeda |   | ○ | - | <p>Masako Ikeda has extensive experience and expertise in legal as a lawyer, even though she has not been involved in corporate management in the past. The Company has determined her contribution is expected to appropriate oversight of business operations and ensure the sound management of the Company from overall management and legal aspects, in the recent business environment where the digital transformation and digitalization are progressing in various industries and the related legislation is currently being enacted.</p> <p>She is designated as an Independent Director, considering that she has no conflicts of interest with the Company and maintains a high degree of independence, and is unlikely to cause a conflict of interest with general shareholders.</p>   |
| Junji Inoue  | ○ | ○ | - | <p>Junji Inoue has a wealth of business experience overseas as well as those as CEO and CTO of a globally expanding IT company, experience at an IT company in Silicon Valley, and development experience at payment system companies in Japan. As he offered beneficial views and suggestions from global perspectives as Company Outside Auditor and Outside Director who is an Audit &amp; Supervisory Committee Member, the Company has determined his contribution is further expected to appropriate oversight of business operations and ensure the sound management of the Company while providing supervision and advice related to the execution of duties by Directors.</p> <p>He is designated as an Independent Director, considering that he has no conflicts of interest with the Company and maintains a high degree of independence, and is unlikely to cause a conflict of interest with general shareholders.</p> |
| Koji Makino  | ○ | ○ | - | <p>Koji Makino has extensive experience and expertise as a certified public accountant and consultant and experience as an outside director of listed companies, even though he has not been involved in corporate management in the past other than having served as an outside officer. As he offered beneficial views and suggestions from accounting and tax aspects as Company Outside Auditor and Outside Director who is an Audit &amp; Supervisory Committee Member, the Company has determined his contribution is further expected to appropriate oversight of business operations and ensure the sound management of the Company</p>  |

|              |   |   |   |   |
|--------------|---|---|---|---|
|              |   |   |   | <p>while providing supervision and advice related to the execution of duties by Directors.</p> <p>He is designated as an Independent Director, considering that he has no conflicts of interest with the Company and maintains a high degree of independence, and is unlikely to cause a conflict of interest with general shareholders.</p>  |
| Shuma Uchino | ○ | ○ | - | <p>Shuma Uchino has a wealth of expertise and expertise in the field of corporate management and financial accounting, experienced as CFO and officer at major listed companies. As he offered beneficial views and suggestions from a specialized perspective with deep expertise especially in business management, the Company has determined his contribution is further expected to appropriate oversight of business operations and ensure the sound management of the Company while providing supervision and advice regarding the execution of duties by Directors.</p> <p>He is designated as an Independent Director, considering that he has no conflicts of interest with the Company and maintains a high degree of independence, and is unlikely to cause a conflict of interest with general shareholders.</p> |

## Audit and Supervisory Committee

### Composition of Supervisory Committee and Attributes of the Chairperson

|                       | All Committee Members | Full-time Members | Inside Directors | Outside Directors | Committee Chair |
|-----------------------|-----------------------|-------------------|------------------|-------------------|-----------------|
| Supervisory Committee | 4                     | 1                 | 1                | 3                 | Inside Director |

|  |               |
|--|---------------|
| Appointment of Directors and/or Staff to Support the Supervisory Committee | Not Appointed |
|--|---------------|

### Reasons for Adopting Current System

The Company has no dedicated staff to assist the Audit and Supervisory Committee Members in their duties, however, it is confirmed the current system is properly functioning for the reason that the Internal Directors who are Audit and Supervisory Committee Members work together with the Internal Audit Office to implement audits and supervision.

## Cooperation among the Supervisory Committee, Accounting Auditors and Internal Audit Department

The Audit and Supervisory Committee and the Accounting Auditor are dedicated to improving the effectiveness and efficiency of audit by exchanging information and views. Specifically, the Audit and Supervisory Committee and the Accounting Auditor hold a regular meeting once a quarter to exchange views on future issues and discuss if there may be any problems with the audit. There is also a system whereby meetings are to be held whenever necessary.

The Company has an Internal Audit Office and has established a system for auditing the Company and each group company. Further, the Company regularly reports the results of internal audits to the Audit and Supervisory Committee and closely cooperates with them. The Internal Audit Office and the Accounting Auditor are dedicated to improving the effectiveness and efficiency of audits by exchanging information and views.

## Voluntary Established Committee(s)

|  |             |
|--|-------------|
| Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee | Established |
|--|-------------|

### Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chairperson

|  | Committee's Name                               | All Members | Full-time Members | Inside Directors | Outside Directors | Outside Experts | Other | Chairperson      |
|--|--|-------------|-------------------|------------------|-------------------|-----------------|-------|------------------|
| Voluntarily Established Committee Equivalent to Nomination Committee   | Nomination and Remuneration Advisory Committee | 3           | 0                 | 1                | 2                 | 0               | 0     | Outside Director |
| Voluntarily Established Committee Equivalent to Remuneration Committee | Nomination and Remuneration Advisory Committee | 3           | 0                 | 1                | 2                 | 0               | 0     | Outside Director |

### Supplementary Explanation

The Nomination and Remuneration Advisory Committee has been established as a voluntary advisory committee to the Board of Directors to promote stability of the corporate governance, which consists of three (3) or more Directors and the majority of whom are Independent Outside Directors to establish independence and objectivity of functions of the Board of Directors regarding the nomination and remuneration of Directors. The committee has been composed of three (3) members, Kaoru Hayashi who is the President Executive Officer, Junji Inoue who is Independent Outside Director, and Koji Makino who is Independent Outside Director. It deliberates and advises on the matters related to the appointment of Directors and remuneration of Directors except for the Directors who are Audit and Supervisory Committee Members upon the consultation of the President Executive Officer.

The chairperson is appointed from among the members who are Independent Outside Directors by resolution of the committee.

## Matters Concerning Independent Directors

|                                 |   |
|---------------------------------|---|
| Number of Independent Directors | 6 |
|---------------------------------|---|

### Other Matters Concerning Independent Directors

The Company designates all Outside Directors as Independent Directors, who satisfy the qualifications for independent directors.

## Incentives

|  |   |
|--|---|
| Implementation Status of Measures related to Incentives Granted to Directors | Stock Option System and relevant systems have been introduced or implemented. |
|--|---|

### Supplementary Explanation for Applicable Items

With regard to remuneration for Directors of the Company excluding the Directors who are Audit and Supervisory Committee Members and Outside Directors, it was approved at the 21st Ordinary General Meeting of Shareholders held on September 29, 2016, to allocate stock acquisition rights as stock-based compensation stock options up to 250 million yen per year and up to a total of 100,000 stock acquisition rights to be issued. It is intended to encourage their motivation to contribute to improving the medium-to long-term business performance and corporate value through increasing the link between the Directors' remuneration and the Company's share price and to share with shareholders not only the benefits of rising stock prices but also the risks of falling stock prices.

Along with awarding incentives to the Directors for the purpose of sustainably increasing the Company's corporate value and promoting shared value between the Directors and shareholders, it was also approved to provide Restricted Stock Compensation of up to 100 million yen as the substantial annual amount for one (1) Fiscal Year to the Directors and up to a total of 40,000 shares to be issued.

|                                    |  |
|------------------------------------|--|
| Persons Eligible for Stock Options | Internal Directors, and employees of the Company, Directors, Executive Officers, and employees of the Company's subsidiaries |
|------------------------------------|--|

### Supplementary Explanation for Applicable Items

The reason why the Company's Directors excluding the Directors who are Audit and Supervisory Committee Members and Outside Directors are eligible for Stock Options is to encourage motivation of the Company Directors to make contributions to improve business performance and enhance the corporate value in the medium-to long-term by increasing the link between the Company Directors' remuneration and the Company's share price, and sharing with shareholders not only the benefits of higher share prices but also the risks associated with lower share prices.

Besides, the reason why the Corporate Officers and employees of the Company, as well as the Directors, Executive Officers and employees of the Company's subsidiaries are eligible for Stock Options is to encourage their motivation to make contributions to improve business performance and enhance the corporate value of the Company Group in the medium-to long-term by linking between the Company's business performance and their benefits received.

## Director Remuneration

Status of Disclosure of Individual Director's Remuneration

Disclosure for Selected Directors

Supplementary Explanation for Applicable Items

Updated

Remuneration of Directors (Fiscal Year ended March 2024):

Total amount of remuneration for Executives is 782 million yen, as of the end of Fiscal Year ended March 2024.

- Of the total amount, remuneration of Directors excluding the Directors who are Audit and Supervisory Committee Members and Outside Directors is 683 million yen to which six (6) Directors are applicable.
- Of the total amount, remuneration of Directors who are Audit and Supervisory Committee Members excluding Outside Directors is 39 million yen to which one (1) Director is applicable.
- Of the total amount, remuneration of Outside Directors is 61 million yen to which six (6) Directors are applicable.

There are six (6) Directors excluding the Directors who are Audit and Supervisory Committee Members and Outside Directors, one (1) Director who is Audit and Supervisory Committee Member excluding Outside Directors, and six (6) Outside Directors.

The Directors whose total consolidated remuneration and other remuneration is 100 million yen or more have been disclosed individually in the 29th Annual Securities Report.

Policy on Determining Remuneration Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

At the 21st Ordinary General Meeting of Shareholders held on September 29, 2016, the following items were approved: (i) the amount of remuneration for Directors (excluding members of the Audit and Supervisory Committee) is limited to 500 million yen per year (less than 50 million yen for Outside Directors; excluding salaries as employees); (ii) in addition to (i), the amount of monetary compensation claims for stock acquisition rights granted to Directors (excluding Directors who are members of the Audit and Supervisory Committee and Outside Directors) as stock compensation-type stock options is limited to 250 million yen per year; and (iii) the amount of monetary compensation provided for the grant of restricted stock is limited to 100 million yen per fiscal year in effect.

At the 21st Ordinary General Meeting of Shareholders held on September 29, 2016, the amount of remuneration for Directors (members of the Audit and Supervisory Committee) was approved to be limited to 100 million yen per year.

The Company's Board of Directors decides the policy for determining the details of the remuneration of individual Directors (excluding Directors who are members of the Audit and Supervisory Committee). The Board of Directors decides the policy that is formulated based on the Company's past practices regarding remuneration for Directors. The amount and details of the remuneration of the Directors who are members of the Audit and Supervisory Committee are determined in consultation among the members of the Audit and Supervisory Committee within the limits of the total amount approved at the General Meeting of Shareholders.

The following is a summary of the policy for determining the details of individual Director compensation.

### i. Important Matters in Determining the Details of Individual Director Remuneration

The Company's basic policy regarding the remuneration of individual Directors is to link the remuneration to the Company's

share price to share the benefits and risks associated with the ups and downs of the share price with its shareholders. The Company sets the ratio of stock-based compensation at a high level in order to increase Directors' motivation to improve the Company's performance and corporate value in the short, medium, and long term.

ii. Matters Concerning Determination of Remuneration for Individual Directors

A. Base Remuneration (Remuneration excluding Performance-Linked Remuneration and Non-Monetary Remuneration)

The Company has the following policy for determining remuneration excluding performance-linked and non-monetary remuneration, etc. ("Base Remuneration").

- a. The total amount of Base Remuneration shall be decided at the General Meeting of Shareholders and shall be determined within the scope of the resolution.
- b. Directors receive monetary base remuneration, and the amount of such remuneration shall be determined within the scope that is decided based on the grade of office and the amount and composition of remuneration for each grade of Directors.

B. Performance-linked Remuneration, etc.

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

C. Non-monetary Compensation, etc.

The Company has the following policy for determining non-monetary remuneration, etc. ("Stock-based Remuneration")

- a. Stock-based Remuneration consists of a monetary claim equal to the amount paid for stock options (stock acquisition rights) with an exercise price of 1 yen per share ("SO") and a monetary claim equal to the amount paid for the restricted stock ("RS"). The Directors offsets said monetary claims against the paid-in amounts of the stock acquisition rights or the restricted stock to acquire the stock acquisition rights or the restricted stock. The respective total amounts of SO and RS are determined by resolution of the General Meeting of Shareholders, and the actual amounts and composition of the remuneration are determined within the framework established by the Board of Directors for each class and level of Directors.
- b. The amount of individual SO compensation shall be calculated by multiplying the fair value per stock acquisition right that is calculated based on various conditions, including the stock price and exercise price on the allotment date, by the total number of stock acquisition rights allotted.
- c. The amount of individual RS compensation shall be based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date that the Board of Directors resolves to grant RS (or, if no trading is conducted on that date, the closing price on the immediately preceding business day). It will be calculated by multiplying the paid-in amount per share determined by the Board of Directors by the number of RS shares to be allotted, to the extent that the amount is not particularly favorable to the Directors who will receive the RS.
- d. RS shall be subject to a restriction on transfer for a period determined by the Board of Directors between one (1) year and five (5) years, and Directors shall not transfer, grant a security interest in, or otherwise dispose of RS during such restricted transfer period.



iii. Determination Policy of the Ratio of Base Remuneration, Performance-linked Remuneration, Non-monetary Remuneration, etc.

A. Directors excluding Outside Directors

These Directors receive approximately 60% of their total compensation as base compensation and 40% as share-based compensation (of which SO 30% and RS 10%).

B. Outside Directors

These Directors receive the Base Remuneration only.

iv. Policy for Determining the Timing or Terms of Granting Remuneration, etc.

A. Base Remuneration

At the Board of Directors meeting immediately following the approval of the appointment of Directors by the ordinary General Meeting of Shareholders, the amount of remuneration for individual Directors is resolved, and the Directors receive a monthly remuneration starting from the month following their appointment or reappointment in 12 equal monthly installments.

B. Stock Compensation

At the Board of Directors' meeting immediately following the approval of the appointment of Directors at the Ordinary General Meeting of Shareholders, the amount and number of grants for individual Directors are decided as part of the Directors' compensation proposal.

v. In Cases where the Determination of the Details of Individual Remuneration is Delegated to a Third Party (including reappointment to Representative Director)

A. Name / Position / Responsibility of the person to be delegated: President Executive Officer and Group CEO

B. Details of delegated authority: The President Executive Officer prepares remuneration plans for individual Directors within the total amount decided by the General Meeting of Shareholders and submits them to the Nomination and Remuneration Advisory Committee to obtain their feedback. On this basis, the President Executive Officer makes the decision, if the Board resolves to delegate the decision to the President Executive Officer.

C. Details of the measures (if taken) to ensure that the authority is properly exercised by the assignee.

a. President Executive Officer shall draft a proposal of remuneration for each individual, within the limits of the total remuneration resolved at the General Meeting of Shareholders, and submit it to the Nomination and Remuneration Advisory Committee to obtain their answer.

b. The Nomination and Remuneration Advisory Committee shall consist of at least three (3) members, and the majority shall be Independent Outside Directors. The chairperson of the committee shall be appointed by a resolution of the committee from among its members who are Independent Outside Directors.

vi. Method of Determining the Details of Remuneration of Individual Directors

The President Executive Officer proposes remuneration plans for individual Directors that are within the total amount approved at the General Meeting of Shareholders, using available objective data from outside the Company and considering their performance in the current Fiscal Year. The President Executive Officer then submits these proposals to the Nomination and Remuneration Advisory Committee to decide the details of the compensation.

## Support System for Outside Directors

The Company's Corporate Division provides support to Outside Directors, including notice of Board meetings, confirmation of attendance, and distribution and signing of meeting minutes. If there are agenda items that require a resolution or report at the Board of Directors meeting, the Outside Directors receive briefings on the agenda in advance, so that they can exchange views and make decisions at the meeting. When the Company needs to report or consult with the Outside Directors on other matters, the Company generally meets with them in person; otherwise, the Company reports or consults with them individually by e-mail or telephone.

## 2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System)

The Company has chosen to adopt a company structure with an Audit and Supervisory Committee under the Companies Act. The Board of Directors makes important management decisions and supervises the execution of duties by Directors, while the Audit and Supervisory Committee audits the performance of the Directors. Additionally, to facilitate swift decision-making in business operations, the Management Committee, composed of full-time Directors and Corporate Officers, holds regular meetings.

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

### - Board of Directors

The Company's Board of Directors consists of nine (9) directors (excluding Directors who are Audit and Supervisory Committee Members), three (3) of whom are Outside Directors, and four (4) Directors who are Audit and Supervisory Committee Members (including three (3) Outside Directors). In addition to the regular monthly meetings, extraordinary meetings of the Board of Directors are convened as necessary to make important management decisions and supervise the execution of Directors' duties. The Outside Directors, leveraging their extensive management experience and broad-based insights, serve the function of monitoring management from an objective standpoint.

### - Audit and Supervisory Committee

The Company's Audit and Supervisory Committee consists of four (4) Directors, including three (3) Outside Directors. The committee, in principle, meets once a month after the regular Board of Directors meeting and attends important meetings, including the Board of Directors, to express its opinions, thereby striving to enhance the effectiveness of corporate governance.

### - Management Committee

The Management Committee, which includes the President Executive Officer, Directors and Corporate Officers appointed by the President Executive Officer, meets weekly. These meetings aim to confirm day-to-day business operations and accelerate decision-making processes, seeking to improve the Company's corporate value.

### - Accounting Auditors

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

#### - Names of the certified public accountants who conducted the work:

Designated and Engagement Partner Junichiro Tsuruta, Designated and Engagement Partner Hayato Kobayashi

- Nomination and Remuneration Advisory Committee

To strengthen the independence and objectivity of the Board of Directors' functions in relation to the nomination and remuneration of Directors, and to further enhance corporate governance, the Company has established the Nomination and Remuneration Advisory Committee. This voluntary advisory committee consists of at least three (3) Directors, with a majority being Independent Outside Directors. The current members are Representative Director, Kaoru Hayashi, Independent Outside Director, Junji Inoue, and Independent Outside Director, Koji Makino. The Committee deliberates and submits its report on the appointment of Directors and the compensation of Directors (excluding Audit and Supervisory Committee Members) in consultation with the President Executive Officer.

- Overview of Contents of the Contract for Limitation of Liability

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

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

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

i. Scope of insured

Directors, Auditors, Corporate Officers, etc. of the Company and its consolidated subsidiaries

ii. Outline of the contents of the insurance contract

The insurance policy covers legal damages and litigation costs incurred by the insured. However, to ensure that the insured's duties are not compromised, the policy does not cover claims for damages arising from the illegal provision of personal benefits, claims for damages arising from the insured's criminal acts, or claims for damages from actions that the insured knew were in violation of laws and regulations. The premiums are fully borne by the Company, resulting in no substantial premium burden on the insured.

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

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

In order to increase the effectiveness of management oversight by the Board of Directors, the Company has chosen to establish a company with an Audit and Supervisory Committee. By ensuring that at least one-third of the Board of Directors are Outside Directors, thereby the Company aims to further strengthen corporate governance. In addition, the Company has been reviewing the Corporate Officer system to clarify the separation of management decision-making and supervisory functions from business execution functions and promoting the delegation of business execution authority in order to speed up and improve the efficiency of business execution.

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

#### 1. Measures to Vitalize General Meeting of Shareholders and Facilitate Exercise of Voting Rights Updated

|   | Supplementary Explanation   |
|---|---|
| Early Posting of Notice of the General Meeting of Shareholders  | The convocation notice of the 29th Ordinary General Meeting of Shareholders was sent out 21 days prior to the date of the General Meeting of Shareholders, and was also disclosed 23 days prior to such date on the websites of the Tokyo Stock Exchange, the Company, and other sites. |
| Scheduling of the General Meeting of Shareholders on a Non-Peak Day   | The 29th Ordinary General Meeting of Shareholders was held on June 21, 2024, as a day set for avoiding the so-called peak days for shareholders' meetings.  |
| Electronic Exercise of Voting Rights  | A system for shareholders to exercise their voting rights by electromagnetic means has been introduced for their greater convenience.   |
| Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights | The Company has been participating in the electronic voting platform, considering the improvement of the environment for institutional investors in Japan and abroad in exercising their voting rights.   |
| Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English  | An English version of the convocation notice is produced and disclosed on the websites of the Tokyo Stock Exchange, the Company, and other sites.   |

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#### 2. Status of IR-related Activities

|  | Supplementary Explanation  | Explanation by a Representative Director or a Representative Executive Officer |
|--|--|--|
| Formulation and Publication of Disclosure Policies                       | The Company has defined Disclosure Policy and disclosed it on the website at <a href="https://ir.garage.co.jp/en/disclosurepolicy/">https://ir.garage.co.jp/en/disclosurepolicy/</a> .   |  |
| Regular Investor Briefings held for Analysts and Institutional Investors | The Company holds financial results briefings in the second and fourth quarters, with its contents including financial reports presented by the Representative Director and presentations related to future Business Strategies for analysts and institutional investors. Investor Relations meetings for domestic and overseas institutional investors are held four times a year after the announcement of each quarterly financial results. | Held   |
| Regular Investor Briefings held for Overseas Investors                   | The Company has explained the Business Strategy, performance and other matters, attending conferences for overseas investors.  | Held   |

|  |  |
|--|--|
| <p>Online Disclosure of IR Information</p>                                       | <p>Timely disclosure materials are posted on the Company's website immediately after disclosure, and a library of previously disclosed materials is available on the Investor Relations page of the website.</p> <p>In addition, the Company holds financial results briefings for analysts and institutional investors in the second and fourth quarter and discloses the materials of presentations to the Timely Disclosure Service and on the website.</p> |
| <p>Establishment of Department and/or Placement of a Manager in Charge of IR</p> | <p>The Company's Corporate Division contains a department in charge of Investor Relations with three staff members in charge of Investor Relations, and Director in charge of the Division is the Director in charge of Investor Relations.</p>  |

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

| Supplementary Explanation  |  |
|--|--|
| <p>Formulation of Policies, etc. on Provision of Information to Stakeholders</p> | <p>The Company endeavors to promptly provide all of its stakeholders, including shareholders and investors with information on the basis of transparency, fairness and continuity.</p> <p>The Company's basic policy is to disclose information in accordance with the timely disclosure rules in accordance with the Financial Instruments and Exchange Law and Tokyo Stock Exchange.</p> <p>The Company discloses information as proactively as possible in a timely manner which is deemed to be beneficial to its shareholders' and investors' understanding of the Company, even the information is not required by the above rules on timely disclosure.</p> <p>Further, the Company has launched its corporate website in English and produced English versions of the convocation notice of the General Meeting of Shareholders, financial results briefing materials, and important press releases to enhance the disclosure of information in English.</p> |

## **IV. Matters Concerning the Internal Control System**

### **1. Basic Views on Internal Control System and Status of Development**

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

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

The following "Principle" and "Credo (Behavioral Philosophy)" are the basic policies for all officers (Directors, Corporate Auditors or their equivalents) and employees (employees, fixed-term employee, contract workers, temporary workers and others engaged in the Company's business) in the execution of their duties.

<Principle>

Think for yourself and question authority.

<Credo (Behavioral Philosophy) >

- TENACITY Have a strong will
- OPENNESS Question common sense and norms
- INTEGRITY Be honest and morally upright
- AGILITY Be agile
- COURAGE Be brave

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

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

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

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

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

In addition, to ensure that the Company, as an operating holding company, is fully compliant, each division of the Company and the Company's subsidiaries are classified according to business segment and other categories ("Business Segments"), and the General Manager of the Corporate Division oversees the compliance efforts of each

business division and the Company's subsidiaries on a cross-sectional basis. The Corporate Division's personnel will work with each business unit and subsidiary to educate and enlighten Directors and employees of the Company, as well as Directors and employees of the Company's subsidiaries.

The Company's Board of Directors oversees each business unit and operating company within the Company Group by business segment, and the Corporate Division audits or monitors the compliance status of each business division and subsidiary. The activities are regularly reported to the Board of Directors and the Audit and Supervisory Committee.

The Company has established a system that allows employees of group companies to directly report to the Compliance Committee Secretariat or an external law firm regarding actions that may be in violation of laws, in addition to legally mandated matters, and issues that significantly impact the Company or its compliance status. This system ensures the confidentiality and protection of the reporting party and that there are no adverse consequences for them. The Compliance Committee reports the information received to the President Executive Officer, and the Directors who are members of the Audit and Supervisory Committee promptly.

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

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

The Directors of the Company shall properly record, store and manage information relating to the execution of duties by the Directors of the Company in documents or electromagnetic media (hereinafter referred to as "Documents and Others") in accordance with the Document Management Regulations and other internal regulations. The responsible manager ensures that Directors (including Directors who are Audit Committee Members) can view these documents, etc., as necessary.

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

The Corporate Division of the Company prepares rules and guidelines risks related to compliance, information security, disasters, and other areas for Directors and employees of the Company, as well as Directors and employees of the Company's subsidiaries. In addition, the Corporate Division prepares and distributes manuals, conducting trainings to ensure these rules and guidelines function effectively, monitors risk situations, and manages their implementation. For newly emerging risks, the Board of Directors promptly appoints a responsible Director or Corporate Officer.

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

The Board of Directors of the Company shall establish objectives that shall be shared by all Directors and employees of the Company Group. The Director or Corporate Officer in charge of each business segment shall set specific objectives in cooperation with the head of each business segment and the Directors of the Company's subsidiaries in each business segment, and each business segment and the Company's subsidiaries shall determine efficient methods for achieving such objectives. The Board of Directors of the Company shall regularly review the progress and advise, through the Director or Corporate Officer in charge of each business unit and the Directors of the Company's subsidiaries in each business unit, as well as encourage improvements as necessary to realize an efficient system for the Company Group's operations.

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

The Company classifies each of its business divisions and subsidiaries into business categories and appoints a Director or Corporate Officer to be in charge of each business category. The responsible Directors or Corporate Officers ensure the efficiency of operations, compliance systems, and risk management systems for each business division and subsidiary at the Board of Directors or management meetings and monitor their appropriateness. The Corporate Division shall promote these systems across the Company Group and review and manage their progress regularly. While respecting the autonomy of the management of each company in the Company Group, the Company shall receive regular reports on its business activities.

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

The Audit and Supervisory Committee can issue necessary orders to employees of the Internal Audit Office. Employees receiving these orders will not concurrently serve in other departments and will comply solely with the Audit and Supervisory Committee's directives, without receiving orders from other Directors (excluding Directors who are Audit Committee Members). If necessary, staff may be assigned to assist the Audit and Supervisory Committee, and personnel decisions will involve discussions between the Directors (excluding Directors who are Audit Committee Members) and the Audit and Supervisory Committee.

- (7) Systems that Parties (defined below) Report to the Company's Audit and Supervisory Committee and its Accompanying Structure to Ensure that Any Persons who Reported will not Suffer Disadvantage

("Parties" includes (a) the Company's Directors (excluding Directors who are Audit and Supervisory Committee Members), Accounting Advisors and employees, and (b) the Company's subsidiaries' Directors, Accounting Advisors, Corporate Auditors, Corporate Officers, Officers in charge of its business, persons who is to perform the duties as defined in Article 598-1 of the Companies Act or other persons equivalent thereto, and any persons who receive reports from them (the "Applicable Subsidiaries' Officers")

- i. The Company establishes a system where the Company's Directors (excluding the Directors who are Audit and Supervisory Committee Members), Accounting Advisors, employees, and the Applicable Subsidiaries' Officers promptly report to the Audit and Supervisory Committee on significant matters affecting the company and the Company Group, as well as compliance status, in addition to legally mandated matters. The method of reporting (reporter, recipient, timing, etc.) is decided through consultations between the Directors (excluding the Directors who are Audit Committee Members) and the Audit and Supervisory Committee.
- ii. The Company shall ensure to maintain the structure that individuals who report to the Audit and Supervisory Committee will not suffer any disadvantage due to their reporting, and thoroughly communicate this structure to all Directors and employees within the Company Group.

- (8) Other Systems to Ensure Effective Auditing by the Audit and Supervisory Committee

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

- (9) System to Ensure the Reliability of Financial Reporting

The Company is committed to developing and maintaining an internal control system to ensure the reliability of the financial reporting of the Company and the Company Group.



(10) Policy on Advance Payment or Reimbursement of Expenses Arising from the Execution of Duties by the Audit and Supervisory Committee

- i. When the Audit and Supervisory Committee requests the advance payment of expenses or other costs related to the execution of its duties under Article 399-2, Paragraph 4 of the Companies Act, the Company promptly processes the expenses or payment liabilities unless deemed unnecessary for the Audit and Supervisory Committee's duties.
- ii. If the Company's Audit and Supervisory Committee requests its own outside experts (attorneys, certified public accountants, etc.) to serve as advisors to the Audit and Supervisory Committee, the Company shall bear the cost of such advisors, unless deemed unnecessary for the Audit and Supervisory Committee's duties.

Under this system, the Company strives to ensure the legality and risk management of its operations, while constantly reviewing and improving its internal control system to adapt to changes in social and economic conditions and other environments.

## **2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development**

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

The Corporate Division acts as the central department for dealing with antisocial forces and, in preparation for unjust demands, maintains close cooperation with external specialized agencies such as the police and lawyers.

Further, the Company has appointed persons responsible for preventing undue claims, who collect information on anti-social forces and participate in relevant seminars.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures

Not Adopted

#### Supplementary Explanation for Applicable Items

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

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

As a public company, the Company believes that the shareholders are formed by free market trading. Even if a large buyer attempts to acquire a large volume of the Company's shares, it is up to the shareholders to decide whether to accept the offer and sell their shares. The Company does not reject the involvement of a large buyer in management if such activity contributes to improving the corporate value of the Company and the common interest of its shareholders. However, there have been some cases that are inappropriate, such as a large buyer conducting a large volume purchase without sufficient consultation or agreement process with the target company. These cases include inadequate disclosure of information to shareholders about the purpose of the acquisition and subsequent management policies, etc., and failure to provide sufficient time for the Board of Directors of the target company to consider the details of the large acquisition and offer an alternative.

The Company believes that the person who controls decisions on the Company's financial and business policies must understand the Company's purpose (raison d'etre), contribute to society by smooth relationships with various stakeholders, maximize the corporate value, and ensure the common interests of its shareholders. Therefore, the Company does not believe that a large purchaser who unintentionally undermines the value of the Company and creates disadvantages for shareholders is an appropriate person to control decisions on the Company's financial and business policies.

###### (2) Initiatives to realize the Basic Policy on Control of the Company

The Company Group aims to expand its business and improve profitability, and proactively develop businesses that will drive future earnings. The Company is implementing the following measures to improve corporate value and the common interests of shareholders and ensure that a large number of investors continue to hold the Company's shares for a long period.

###### a. Basic Management Policy

The Company Group's purpose is "Designing 'New Context' for a sustainable society with technology." And the Company's basic business concept is to be a "context company" that organically links companies, people, and information. The Company's goal is to develop "new contexts" that organically link different types of complex information, using its solution expertise with a track record since the early days of the Internet industry and cutting-edge network technology to enhance the value of a company, its people and its information. The Company's basic management policy is to always look several steps ahead of the times, calmly and accurately select the target context, and develop services that can contribute to a comfortable society where people, the environment, and the digital information society can harmonize.

###### b. Initiatives to Enhance Corporate Value over the Medium- to Long-Term

The Company's mission and values are to "Integrating Technology×ESG×Incubation with the First Penguin Spirit, the Company continues to create sustainable "business context" from an earth-centric perspective". The Company believes that creating new contexts at the interface between real space and cyberspace (virtual space), based on cutting-edge Internet technology, forward-looking marketing technology, and highly reliable financial technology, will enhance the corporate value and the common interests of the shareholders.

- c. Prevention measures not to be controlled by inappropriate persons in making decisions on the financial and business policies of the Company

If a major buyer attempts to acquire the Company's shares, the Company will take appropriate measures to protect the corporate value and the common interests of shareholders to the extent permitted by the Financial Instruments and Exchange Act, the Companies Act, other relevant laws and regulations and the Company's Articles of Incorporation, while proactively collecting information and disclosing it in a timely and appropriate manner.

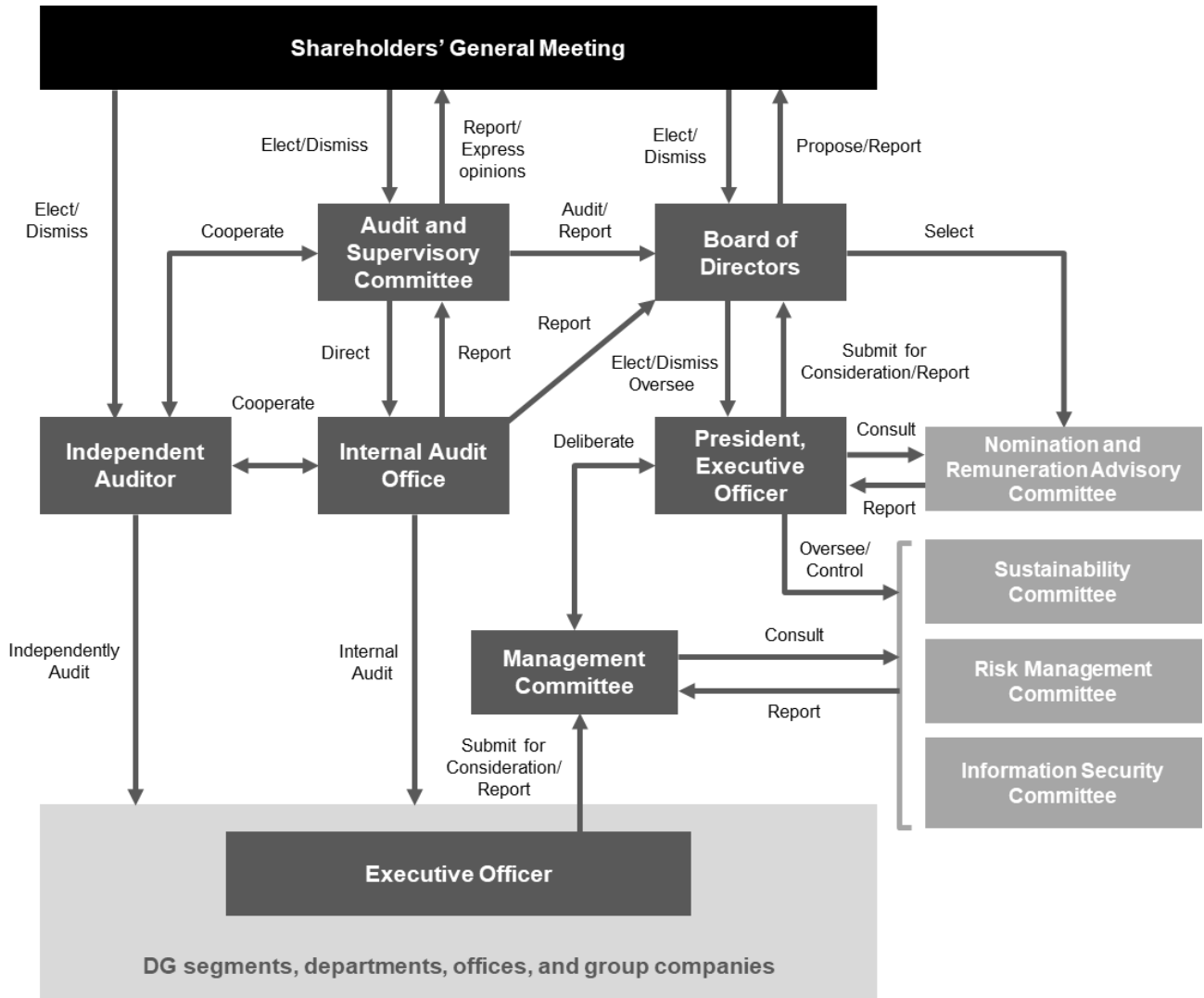
- (3) The Board of Directors' judgment on the above initiatives

All initiatives are designed to enhance the Company's corporate value and the common interests of its shareholders, not to preserve the status of the Company's Directors and officers, and are consistent with the basic policy described in (1) above of this Section.

## **2. Other Matters Concerning the Corporate Governance System**

N.A.

**Corporate Governance Framework**



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

| Name                     | Position  | Business Development | Business Management | FinTech & Payments | Global | Finance & Accounting | Legal & Compliance | Governance & Risk Management | HR, Organization & Diversity |
|--------------------------|---|----------------------|---------------------|--------------------|--------|----------------------|--------------------|------------------------------|------------------------------|
| <b>Kaoru Hayashi</b>     | Representative Director   | ○                    | ○                   | ○                  | ○      |                      |                    | ○                            |                              |
| <b>Keizo Odori</b>       | Director  | ○                    | ○                   | ○                  |        | ○                    |                    | ○                            |                              |
| <b>Masahito Okuma</b>    | Director  | ○                    | ○                   | ○                  | ○      |                      |                    |                              |                              |
| <b>Joichi Ito</b>        | Director  | ○                    |                     | ○                  | ○      |                      |                    |                              | ○                            |
| <b>Hiroshi Shino</b>     | Director  | ○                    | ○                   | ○                  |        |                      |                    |                              |                              |
| <b>Hiromi Ozaki</b>      | Independent Outside Director  | ○                    |                     |                    | ○      |                      |                    |                              | ○                            |
| <b>Mitsushi Nishida</b>  | Outside Director  | ○                    | ○                   | ○                  |        |                      |                    |                              |                              |
| <b>Hironobu Moriyama</b> | Independent Outside Director  |                      | ○                   |                    |        | ○                    |                    | ○                            |                              |
| <b>Masako Ikeda</b>      | Independent Outside Director  |                      |                     |                    |        |                      | ○                  | ○                            | ○                            |
| <b>Yasuyuki Rokuyata</b> | Director (Audit and Supervisory Committee Chairperson)                | ○                    | ○                   |                    |        |                      | ○                  | ○                            |                              |
| <b>Junji Inoue</b>       | Independent Outside Director (Audit and Supervisory Committee Member) |                      | ○                   | ○                  | ○      |                      |                    |                              |                              |
| <b>Koji Makino</b>       | Independent Outside Director (Audit and Supervisory Committee Member) |                      |                     |                    |        | ○                    | ○                  | ○                            |                              |
| <b>Shuma Uchino</b>      | Independent Outside Director (Audit and Supervisory Committee Member) |                      | ○                   |                    |        | ○                    |                    | ○                            |                              |

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

**Overview of Timely Information Disclosure**

