

Last Updated: March 27, 2024

ITOKI CORPORATION

Chief Executive Officer, Representative Director: Koji Minato

Contact Information: Corporate Communication Control Department, Planning Headquarters (TEL: 03-6910-3910)

Securities Code: 7972

<https://www.itoki.jp>**The corporate governance of ITOKI CORPORATION (hereinafter referred to as “our company”) is described below.****I Basic Views on Corporate Governance and Basic Information on Capital Structure, Corporate Profile and Others****1. Basic Views**

Our corporate group is making efforts to build a corporate governance framework that is aimed at enhancing our company’s corporate value by thoroughly complying with relevant laws and regulations, increasing business transparency and fairness, and gaining greater trust through proactive information disclosure in accordance with our corporate ethics and spirit of legal compliance.

Our company has formulated a “basic policy on corporate governance” with the aim of realizing effective corporate governance pursuant to the principles of the Corporate Governance Code.

The following are the six items of our company’s corporate philosophy all of our executives and employees share with one another:

[Corporate Philosophy]

1. To maintain the vigorous pioneering spirit of our founder
2. To create new value through creativity and ingenuity in everything we do
3. To stick to right business practices and spare no pains to be diligent and hardworking
4. To work together to overcome hardships and bring prosperity
5. To always aim to be No. 1 in the industry
6. To realize our own potential and live our lives without regrets

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

Principle 4-10 (1) Involvement of independent outside directors through establishment of a discretionary advisory committee

Our company is a company with an Audit & Supervisory Board and has not set up any advisory committees, such as a nomination committee or a remuneration committee; however, the current system functions appropriately because we get appropriate advice and involvement of our independent outside directors during discussion regarding such matters as the nomination and remuneration of the senior management and the directors through, for example, the chairperson’s proactive attitude of seeking opinions of the independent outside directors.

[Disclosure Based on Principles of the Corporate Governance Code]

Details of the items to be disclosed based on the principles of the Corporate Governance Code are as follows:

Principle 1-4 Policy on strategically-held shares

In principle, our company strategically holds shares in our partner companies only when we consider that doing so would contribute to our corporate group’s business prosperity and medium/long-term enhancement of our corporate value from the perspective of maintaining and cementing our relationship with the partner companies.

Every year, the Board of Directors examines whether it is rational to continue to strategically hold shares, including whether benefits of strategically holding shares are worth the capital cost. We will sell strategically-held shares when we have decided that the purpose of holding them is not beneficial enough based on the results of an examination by the Board of Directors.

We sold strategically-held shares in five companies in the fiscal year 2023.

The number of stocks of shares we had held strategically and sold and the ratio of consolidated net assets are as follows:

	2018	2019	2020	2021	2022	2023
No. of stocks of shares we had held strategically and sold	6	0	12	14	3	5
Ratio of consolidated net assets (%)	5.5	6.8	3.9	4.1	3.5	3.8

We, in principle, exercise the voting rights of strategically-held shares not by unconditionally accepting proposals put forward by the companies whose shares are held by us strategically, but by making decisions independently from the perspective of whether or not the strategically-held shares would contribute to enhancement of our company’s corporate value.

Principle 1-7 Framework for ensuring appropriateness of transactions with related parties

When conducting transactions with the directors and conflict-of-interest transactions, our company shall seek opinions of outside directors and Audit & Supervisory Board members at

meetings of the Board of Directors, have deliberations, and obtain approval in accordance with relevant laws and regulations, and our company's regulations of the Board of Directors. Furthermore, we deliver reports at meetings of the Board of Directors regarding important facts about a transaction after it is carried out, and whether or not transactions have been made between any of the directors of our company or a first- or second-degree relative of any of our directors and our company or any of our consolidated subsidiaries is regularly checked with each of the directors and the Audit & Supervisory Board members every year, and we disclose details of transactions that need to be disclosed, if any, via securities reports and notices of convocation of ordinary general meetings of shareholders.

Principle 2-4 (1) Ensuring diversity in the promotion of core human resources and other related matters

① Our view on ensuring diversity

Based on the top commitment, our company considers our employees with diverse backgrounds, such as gender, age, nationality, disabilities, employment status and working styles, customs, and values, as "diverse human capital" and endeavors to allow each of them to take advantage of their unique characteristics vigorously and get the best from themselves. In addition, we do not discriminate against anyone because of gender, career, or nationality and are recruiting human resources that hold diverse values.

■ Itoki Corporation's diversity vision (three objectives)

1. Invigoration of the organization

To motivate employees and create an energetic organization by enabling them to demonstrate their individual abilities.

2. Creation of new value

The knowledge, experience, and values of diverse human resources are combined to create new ideas.

3. Increase in productivity and job satisfaction

All employees can work with high productivity and a sense of fulfillment through flexible work styles.

② Voluntary and measurable goals for ensuring diversity and the progress toward them

■ Variation in the ratio of female employees occupying managerial positions, and target ratios

<Results> 2020: 8.3%, 2021: 9.2%, 2022:10.7%, 2023: 10.3%, early 2024: 11.3%

<Targets> End of 2026: 13.0%, 2030: 30.0%

■ Progress in ensuring diversity

Ratio of female employees recruited 2019: 44.7%, 2020: 38.2%, 2021: 40.8%, 2022: 41.6%, 2023: 40.4%

Ratio of mid-career hires recruited 2019: 41.1%, 2020: 27.1%, 2021: 30.6%, 2022: 65.0%, 2023: 67.4%

③ Policy on human resources development and the policy on internal environment establishment, and the progress with them

Details on creation of an environment that allows our employees to grow and demonstrate their abilities and our initiatives for supporting diverse work styles of each of our employees are disclosed via our company's website.

Our initiatives for creation of a working environment that allows every employee to work vigorously <https://www.itoki.jp/sustainability/>

As a company with a mission statement, "We Design Tomorrow. We Design Work-style," our company is developing a workplace (an organization, systems, and corporate culture) that allows every employee to work vigorously with a sense of purpose and perform at their full potential and an environment in which our employees can work safely with peace of mind.

■ Strategies

Itoki Corporation believes that in order to attain the objectives of our business strategies, it is essential to implement human capital strategies that are linked to the business strategies. Based on this belief, we have established a manpower plan that includes recruitment activities with the business strategies being kept in mind, ideal candidate profiles, educational programs that support growth of each employee according to their respective careers, and a personnel system that takes growth and job satisfaction improvement of our employees into consideration. Considering human resources not as "people for whom we pay costs," but as "people in which we should invest," we will enhance our business value through investment in human capital. Furthermore, we will strive to meet the objectives of our business strategies by pursuing the human capital strategies, including development of human capital with diversity being kept in mind and adopting a personnel system that is suitable for the work style in the post-pandemic world as swiftly as possible.

*Details are disclosed in 06 under "7 Flags" presented in the medium-term management plan released on February 13, 2024.

[Policy on human capital development/examples]

Itoki Corporation offers a variety of curricula centering on an educational system that supports the growth of each employee according to his or her career based on the ideal candidate

profiles. We provide online and face-to-face individual interviews and educational and training sessions depending on the content and endeavor to improve the overall quality.

Examples: Education and training for employees occupying managerial positions, one-on-one education and training, selection-based education and training, education and training regarding the foundation of business, cross-industry exchange-based education and training, problem solving while working in teams, education and training using Strength Finder, e-learning

*Details are disclosed in [Views and initiatives on sustainability] of the securities report for fiscal year ended December 2023.

[Recruitment policy/examples]

The business of Itoki Corporation requires the employees to interact with various people and carry out projects in teams. We are making efforts to recruit human capital capable of thinking about what are expected of each of them and how they each can contribute to our clients, the society, and Itoki Corporation, and responsibly carrying through what they each have decided on while involving people around them and not being afraid of making mistakes.

Example: Our company enhances recruitment of workers from around the world and experienced workers, in addition to recruitment of new graduates including referral-based recruiting.

*Details are disclosed in [Views and initiatives on sustainability] in the securities report for fiscal year ended December 2023.

[Diversity Equity & Inclusion (DE&I) policy/examples]

Based on the top commitment, Itoki Corporation considers our employees with diverse backgrounds, such as gender, age, nationality, disabilities, employment status and working styles, customs, and values, as “diverse human capital” and endeavors to allow each of them to take advantage of their unique characteristics vigorously and get the best from themselves.

Examples: D&I AWARD Prize in D&I Award 2023, D&I AWARD BEST WORKPLACE for diversity & Inclusion, which is the greatest prize, for two consecutive years, the gold rank in PRIDE INDEX 2023, establishment of a partnership with Hanoi University of Science and Technology in Viet Nam, adoption of the subsidy program for helping employees return to work after childcare leave, adoption of a partnership program, seminars for helping employees find a right balance between work and nursing care, educational sessions regarding LGBTQ, alliance with local facilities employing people with disabilities, educational and training sessions regarding unconscious bias

*Details are disclosed in [Views and initiatives on sustainability] in the securities report for the fiscal year ended December 2023.

[SPLi , a community for promotion of women’s active engagement in professional life]

In order to bring about significant innovation and growth through fusion and exertion of diverse characteristics, Itoki Corporation is taking numerous initiatives while considering creation of an environment that allows human capital with diverse backgrounds to play a wider range of roles and development of female workers capable of demonstrating leadership as the priority policies for our business.

SPLi is a community that supports continuous career development by offering environments and plans which enable female workers to show leadership while taking advantage of their personalities and unique characteristics. In the community, about 150 members, including people from our group companies, gather on their own initiative and engage in a multitude of activities.

[API , a community for encouraging workers to work globally]

Our company has launched the Itoki Global Initiative “API,” a platform designed for the members of the Itoki Corporation Group in Japan and overseas for “self-directed, mutual learning, and developing human resources who can play an active role globally” by breaking all kinds of barriers, such as differences in language, ways of thinking, and customs. We strive to gain better understanding, views, and awareness of diversity and true “globalism” by deeply understanding the essence of differences in such matters as culture, religion, and customs by country. Approximately 90 members, including people from our group companies, join this community.

[Initiatives for increasing engagement]

Itoki Corporation has performed engagement surveys in order to grasp our employees’ motivational states and factors affecting their motivation since 2016. We utilized survey results as one of the important business metrics that will lead to initiatives for increasing engagement in our organization with the aim of transforming our company into a vibrant and enriched company where each employee can shine. We are striving to improve engagement at each department with the management playing a central role while defining the rate of an affirmative response to a question, “Is Itoki a company that you feel proud to work for?”, as one of the business objectives as we regard it as the most important metric among a number of metrics. In the past three years, the rate of an affirmative response to the question improved by 18.5 points throughout Itoki Corporation. Meanwhile, we see a trend of a low score in the question although we see improvement at some departments and occupations, which we believe is an issue. In 2024, we will continue our efforts toward further engagement improvement by

beginning to share good examples of initiatives for engagement increase adopted at the departments via internal public relations activities and striving to reach a rate of 80% in 2024 and a rate of 85% in 2026, the final year of the medium-term management plan.

■ Metrics and targets

Important metrics scores of employee engagement

<Results> 2021 56.2%, 2022 63.6%, 2023 74.7%

<Targets> 2024 80%, 2026 85%

In addition, as a company that spearheads development of a working environment, Itoki Corporation understands that creation of an employee-friendly environment, which means facility investment, is an important matter companies should work on through human capital management and is putting it into practice at our company. We believe that continuous investment in development of highly productive, safe, and secure offices will contribute to human capital management.

*Details are disclosed in Return of office investment (human capital investment) on page 35 of the medium-term management plan released on February 13, 2024.

■ No. of facility investments made at our company

<Results in 2023> We repaired and relocated a total of seven offices, including the main office in Tokyo.

Principle 2-6 Roles of Corporate Pension Funds as Asset Owners

The corporate pension funds of our company are managed by an asset management committee composed of the directors in charge of accounting and personnel affairs and employee representatives. We appoint staff with appropriate qualities to serve as members of the asset management committee and dispatch the persons in charge to outside seminars and other related sessions in order to improve their qualities. At our company, the asset management committee discusses and determines policies on asset management and the strategic asset structure.

The financial standing of our company's corporate pension funds is sound, and we manage our corporate pension funds while avoiding excessive risks and attaching weight to control of the lower quotation when managing assets. The strategic asset structure is reviewed and revised appropriately when necessary.

Management of all of the accumulated pension reserves of our company is outsourced because it requires expertise. We entrust the outsourcee for management of our pension reserves with selection of companies to invest in and deciding whether to exercise the voting rights within the range of our company's policy on management of the corporate pension funds, and endeavor to maximize interests of employees and appropriately control the conflict of interest with the employees by monitoring said outsourcee.

Principle 3-1(i) Corporate philosophy, business strategies, management plans, etc.

Details on the corporate philosophy, medium-term management plan, and business strategies are disclosed via such media as our company's website, materials for financial results briefing, and notices of convocation of general meetings of shareholders.

Corporate Philosophy	https://www.itoki-web.net/page_preview/company/about/concept/
Medium-term management plan	https://www.itoki.jp/ir/policy/management-plan.html
Materials for financial results briefing	https://www.itoki.jp/ir/accounts/closing.html
Notices of convocation of general meetings of shareholders	https://www.itoki.jp/ir/stockholder/notification.html

Principle 3-1(ii) Basic Views and Guidelines on Corporate Governance

The basic views and guidelines on corporate governance are provided via our company's website and corporate governance reports.

1. Basic Views

Our corporate group is making efforts to build a corporate governance framework that is aimed at enhancing our company's corporate value by thoroughly complying with relevant laws and regulations, increasing business transparency and fairness, and gaining greater trust for our company through proactive information disclosure in accordance with our corporate ethics and spirit of legal compliance.

2. Basic Policy

The basic policy is disclosed on our company's website.

<https://www.itoki.jp/ir/policy/governance.html>

Principle 3-1(iii) Policies and procedures in determining the remuneration of the senior management and directors

Remuneration and other rewards of the senior management consist of fixed remuneration, variable remuneration whose amount is determined according to business performance, and stock-based compensation with restrictions on transfer. Our company gives each director fixed monetary remuneration every month in accordance with the table of the amount of monthly remuneration by job position approved by the Board of Directors within the total amount of remuneration on which a resolution was passed at a general meeting of shareholders. Variable remuneration is determined by the Board of Directors while taking into account such matters as our company's performance level and performance of each executive within the amount of the total remuneration on which a resolution was passed at a general meeting of shareholders and given to each of the management after the end of each fiscal year. Performance of each

executive is evaluated according to the evaluation criteria established for each business and function in his/her field. As a means of motivating executives to produce strong performance, stock-based compensation with restrictions on transfer is determined by the Board of Directors with the business situation and the ratio of remuneration paid by cash and remuneration provided by shares being taken into consideration and given every fiscal year on the premise that the person receiving the stock-based compensation serves as an executive as a medium-term management plan begins. The remuneration for each executive officer is calculated and determined in accordance with the internal regulations approved by the Board of Directors.

Principle 3-1(iv) Policies and procedures in the appointment and dismissal of the senior management and the nomination of directors and Audit & Supervisory Board members

Regarding the nomination of candidates for directors and Audit & Supervisory Board members, directors and Audit & Supervisory Board members are elected and determined by the president and representative director based on their abilities, experience, and personal profiles by considering whether or not they can contribute to sustainable growth and further enhancement of the corporate value and are capable of fulfilling their own responsibilities while taking into account ensuring the diversity, balance, and appropriate size of the Board of Directors and the Audit & Supervisory Board as a whole after careful discussion by the Board of Directors. If we have decided that a director or an Audit & Supervisory Board member has not executed their duties appropriately enough, whether or not to dismiss the director or the Audit & Supervisory Board member shall be determined after thorough discussion by the Board of Directors and brought up for discussion at a general meeting of shareholders. Furthermore, we elect executive officers while bearing in mind such matters as the knowledge, experience, abilities, and business performance of each candidate after in-depth discussion by the Board of Directors.

Principle 3-1(v) Explanations with respect to the individual appointments and dismissals of the senior management and the nominations of directors and Audit & Supervisory Board members

Each of the senior management is elected by the Board of Directors based on their respective abilities, experience, and personal profiles. If it is considered that a director or an Audit & Supervisory Board member has not executed their respective duties appropriately enough, whether or not to dismiss the director or the Audit & Supervisory Board member will be determined after full discussion by the Board of Directors. Regarding candidates for directors and Audit & Supervisory Board members, the career of each candidate and reasons for their election will be provided via notices of convocation of general meetings of shareholders.

Principle 3-1 (2) Promotion of information disclosure and provision in English with the number of foreign shareholders being kept in mind

Bearing the number of foreign shareholders in mind, our company produces English versions of “financial summaries,” “company information,” “part of notices of convocation of general meetings of shareholders,” and “integrated report” that comprehensively cover our initiatives toward ESG and discloses information via our global website for foreign stakeholders, including foreign institutional investors. We intend to offer them information by translating “corporate governance reports,” in which foreign institutional investors particularly show strong interest into English.

Principle 3-1 (3) Initiatives on sustainability

Our corporate group engages in sustainable business activities with the aim of contributing to happiness of individuals, happiness of our company, and happiness of the society through support for people’s working lives based on our vision statement, “Vibrant People, Beautiful Planet.” Meanwhile, companies are required more than ever before to conduct business activities while giving extra consideration to social issues, including action to take against climate change, respect for human rights, and investment in human capital and digital transformation (DX), as such social issues as global warming, human rights, and the declining birthrate and aging society are becoming more serious year by year. Against this backdrop, our corporate group has been pursuing policies from various viewpoints, such as energy conservation, utilization of sustainable materials, and implementation of human capital strategies linked to the management strategies, with ESG-oriented management defined as the priority policy in “RISE ITOKI 2023,” the three-year medium-term management plan for the period between 2021 and 2023.

We have brought key strategies, “7 Flags,” and ESG strategies into the heart of the new medium-term management plan, “RISE TO GROWTH 2026,” which will start in fiscal 2024, and defined the ESG strategies as the base for our business strategies.

Our corporate group has identified material issues since 2018 in order to settle multifarious social issues surrounding workplaces for the future. In 2022, in response to changes in social issues, we categorized the issues into two major material issues, which are to “make society and people happy” and “make the company and its employees happy,” and revised our key subjects through repeated discussions with the management. Furthermore, following the formulation of the new medium-term management plan, “RISE TO GROWTH 2026,” we are recategorizing the key subjects from the perspective of integrating sustainability into business operations. We consider linking new key subjects to the medium-term management plan and intend to manage our progress in various activities performed based on the material issues in the same manner as the progress in the medium-term management plan (Key Performance Indicator (KPI)).

* Governance and risk management regarding sustainability are disclosed in [Views and initiatives on sustainability] in the securities report for the fiscal year ended December 2023.

Considering action against climate change as one of the important business issues, our corporate group expressed our approval for the recommendations of the “Task Force on Climate-related Financial Disclosures (TCFD)” in June 2020. We analyze possible effects of climate change in accordance with the TCFD recommendations. We defined and analyzed three scenarios (the sustainability advancement scenario, the standard scenario, and the slowdown scenario) with reference to the existing scenarios presented by the IPCC (*) regarding climate change that is expected to continue for the long term. The results of the analysis revealed a possibility that climate change will have significant impacts on our corporate group’s business for the short, medium, and long terms, including risks related to policies, laws, and regulations. Possible impacts include adoption of carbon tax, rising procurement costs, and shrinkage of the existing markets, in addition to more frequent and more extreme unusual weather that has become apparent.

Our corporate group considers climate to be a key management issue, and we defined “Helping build a carbon-neutral society” and “Safeguarding the natural environment and promoting

recycling of resources” as key themes. Under these key themes, we have formulated medium-to-long term CO₂ emission targets. We will promote low-emission workstyles by supporting customer workstyle reforms and promoting DX. We will also promote the development and design of environmentally-friendly products and introduce renewable energy to achieve in-house reduction of CO₂ emissions. We will move ahead with these activities toward attainment of the targets by steadily following the PDCA cycle.

*IPCC (Intergovernmental Panel on Climate Change)

* Governance and risk management regarding climate change are disclosed in [Views and initiatives on sustainability] in the securities report for the fiscal year ended December 2023.

■ Indicators and targets

Our corporate group has set targets of medium- and long-term CO₂ emissions reduction as measures against climate change and is forging ahead with our initiatives by incorporating them into concrete plans of action. This year, we reviewed and revised the CO₂ emissions reduction targets we determined as objectives to reach by 2030 and set new targets that take into account the 1.5-degree Celsius target specified by the Science Based Targets initiative (SBTi). The major source of CO₂ emitted by our corporate group is “purchased or acquired goods and services” in Category 1 of Scope 3 and, thus, we will propel forward our initiatives for curbing CO₂ emissions by building enhanced systems of collaboration with suppliers and calculating related values more accurately.

[Targets of CO₂ emissions]

Targets for 2030: Reduction by 42.7% (compared to 2022) for Scopes 1 and 2, reduction by 25% (compared to 2022) for Scope 3

Target for 2050: Net zero for Scopes 1 and 2

Principle 4-1 (1) Determination of the scope of delegation to the management

Our company has formulated regulations for the Board of Directors and clearly specified matters provided for by relevant laws and regulations, and the Articles of Incorporation, and important business-related matters equivalent thereto as matters for resolution, and the Board of Directors makes resolutions accordingly. Furthermore, meetings of the board of managing directors (attended by the president, directors excluding outside directors, executive officers at executive posts, and full-time Audit & Supervisory Board members) are held once a week, and meetings of the executive board (attended by directors, excluding outside directors, and all executive officers) are held appropriately when deemed necessary by the president in order to deliberate matters for resolution by the Board of Directors and important matters other than the matters for resolution by the Board of Directors, thoroughly enforce the management policies, and check progress with business operations.

Principle 4-8 Effective use of independent directors

Our company had appointed two outside directors since 2011 with the aim of enhancing the function of supervising execution of duties and enriching fair corporate activities. Although there was only one outside director between November of 2018 and March of 2020 because one of the outside directors passed away, we appointed a new outside director in March 2020, which allowed us to have two outside directors again, and, in 2023, the number of outside directors at our company became three, including a female outside director. Currently, the outside directors make up over one third of directors, with the ratio of outside directors standing at 37.5%.

Outside directors	Term of office	Experience with corporate management
Hiroshi Nagata	March 2008 - present	Yes
Terutake Miyamoto	March 2011 - March 2014	Yes
Toshio Nagashima	March 2014 - November 2018 (passed away)	Yes
Shiro Nitani	March 2020 - present	Yes
Mariko Bando	March 2023 - present	No

Please refer to integrated report regarding the ratio of outside directors, the ratio of outside directors with experience in corporate management, and the number of female directors at our company.

https://www.itoki.jp/sustainability/assets/pdf/itoki-integrated-report-2023_08.pdf

Principle 4-9 Independence Standards and Qualification for Independent Outside Directors

Our company has established our own criteria for the independence of outside directors and discloses them via the matters concerning independent officers in corporate governance reports in order to contribute to our sustainable growth and medium- and long-term enhancement of our corporate value. We appoint persons who satisfy not only the provisions set forth by the Companies Act and the criteria defined by the stock exchange, but also our own criteria for independence to be our outside directors.

[Criteria for independence]

1. The candidate shall not have experience in executing duties at a subsidiary or affiliated company of our company at the present moment or at any point in the past 10 years.
2. The candidate shall not currently be a major shareholder (who holds 10% or more of the total number of voting rights) or a person executing duties for a major shareholder.
3. The candidate shall not be a person executing duties for a major partner company of our company (a partner company with which we carry out transactions yearly at an amount accounting

for 2% or more of our consolidated sales, or a supplier from which we procure goods or services yearly at an amount making up 2% or more of the consolidated sales of the supplier).

4. The candidate shall not be a person executing duties for a major lender of our company (a financial institution from which we take out loans yearly at an amount accounting for 2% or more of our company's total assets).

5. The candidate shall not be an expert, such as a consultant, an accountant, or a lawyer, who receives money amounting to over 10 million yen or other property from our company every year, in addition to remuneration given to officers.

Principle 4-11 (1) Balance of the knowledge, etc. of the Board of Directors as a whole, views on the diversity and scope of the Board, and policies and procedures for the appointment of the directors

Our company appointed a female director in 2023 for the first time as we give importance to ensuring the diversity of the Board of Directors as a whole. In addition, in order to make the size of our Board of Directors appropriate for high-quality discussion and ensure the balance of the Board as a whole, the Board shall consist of executive officers who are familiar with the business of our company and other related matters and capable of flexibly executing duties and outside directors who have extensive expertise and are expected to provide advice and supervision regarding business operations from a wide perspective.

Our company has developed skill matrices which are lists of the skills, careers, and expertise of each director and discloses them in integrated report and reference documents for general meetings of shareholders.

Integrated report : https://ssl4.eir-parts.net/doc/7972/ir_material_for_fiscal_ym9/120908/00.pdf

Reference documents for general meetings of shareholders : https://ssl4.eir-parts.net/doc/7972/ir_material2/201639/00.pdf

Two of the three outside directors have experience with corporate management at other companies and one of the three outside directors has experience in demonstrating leadership in the fields of administration and education. One of the two outside Audit & Supervisory Board members currently serves as a lawyer while the other outside Audit & Supervisory Board member is a certified public accountant, who are experts on law and accounting, respectively.

Principle 4-11 (2) Concurrent Positions Held by Directors and Outside Auditors

While our company's two outside directors and two outside Audit & Supervisory Board members concurrently hold positions of directors and auditors at other listing companies as disclosed via notices of convocation of general meetings of shareholders and other related material, we believe that the number of companies at which they concurrently hold positions is within a rational range and they fulfill their roles and duties appropriately.

Principle 4-11 (3) Analysis and evaluation of the effectiveness of the Board of Directors as a whole, and the results thereof

Our company holds discussion while listening to opinions of executives and performs analysis and evaluation once a year at a meeting of the Board of Directors regarding the effectiveness of the Board of Directors as a whole, including management of proceedings and topics of discussion. We checked the progress made in fiscal 2023 concerning the matters brought to the table at the meeting of the Board of Directors held in February 2022, and all executives gave their opinions about the effectiveness of the Board through free discussion after the person in charge provided supplementary explanation about progress and future trends.

Subject No. 1 in fiscal 2022	Appeals with a focus on the field of ESG
Measures taken in fiscal 2023	May 29, 2023 A report on an ESG promotion project was delivered at a Board of Directors meeting. July 31, 2023 Meetings of a liaison group consisting of directors and Audit & Supervisory Board members began. November 27, 2023 An education and training session regarding ESG was offered to executives. December 11, 2023 The Board of Directors resolved to revise the regulations for division of administrative authority.

Subject No. 2 in fiscal 2022	Report on quality assurance and the quality management system (QMS)
Measures taken in fiscal 2023	May, 29, 2023 A report about the ESG promotion project was delivered at a meeting of the Board of Directors. September, 25, 2023 A report about Itoki Corporation's quality assurance was delivered at a meeting of the liaison group consisting of directors and Audit & Supervisory Board members.

Subject No. 3 in fiscal 2022	Report on the trends of other companies operating in the same industry
Measures taken in fiscal 2023	December, 11 2023 A report about the trends of other companies operating in the same industry was delivered at a meeting of the liaison group consisting of the directors and Audit & Supervisory Board members.

Principle 4-14 (2) Training policies for directors and Audit & Supervisory Board members

In principle, our company provides our directors and Audit & Supervisory Board members with necessary opportunities, such as external seminars, and support, including financial support

for allowing them to attend such seminars, so that they can understand their respective roles and appropriately fulfill their roles and responsibilities at the time of and after their appointment.

Our system of support is as follows:

1. Our company provides directors and Audit & Supervisory Board members with opportunities to acquire and upgrade necessary knowledge and other related abilities as needed at the time of their appointment so that they can appropriately fulfill their roles and responsibilities.
2. Our company provides explanations about our company's business and tours around our major offices to newly appointed outside directors and Audit & Supervisory Board members at the time of their appointment.
3. Our company hosts educational and training sessions regarding compliance for directors and Audit & Supervisory Board members once a year or more frequently with the aim of honing their skills related to corporate governance and compliance.

Principle 5-1 Policies on dialogue with shareholders

Our company's policies on dialogue with shareholders are as follows:

1. The person in charge of investor relations (IR) activities supervises general dialogue with shareholders and encourage relevant officers in charge to take specific action.
2. The IR department plays a central role and cooperates organically with related departments when our company holds dialogue with shareholders.
3. Our company holds such meetings as small meetings and financial results briefings as a means of dialogue with shareholders besides individual interviews.
4. Our company delivers reports at meetings of the Board of Directors and shares such feedback as important requests and opinions obtained through dialogue with shareholders.
5. Our company strives to comply with relevant laws and regulations while bearing management of insider information in mind when holding dialogue with shareholders.

*Please refer to Appendix 2 attached to the material disclosed on May 12, 2023 concerning our IR activities.

<https://ssl4.eir-parts.net/doc/7972/tdnet/2276883/00.pdf>

[Measures taken for realizing business operations with capital cost and share prices kept in mind]

Our company summarized measures to take for realizing business operations with capital cost and share prices kept in mind and disclosed them through a resolution of the Board of Directors on May 12, 2023.

<https://ssl4.eir-parts.net/doc/7972/tdnet/2276883/00.pdf>

Japanese: Integrated Report 2023 P29 https://www.itoki.jp/ir/assets/accounts_anual_2023_00.pdf?v2023

English: Integrated Report 2023 P29 https://www.itoki.jp/ir/assets/accounts_anual_2023_en_00.pdf

Japanese: Medium-term management plan 7Flags07 P25 <https://ssl4.eir-parts.net/doc/7972/tdnet/2395479/00.pdf>

English: Medium-term management plan 7Flags07 P26 https://ssl4.eirparts.net/doc/7972/ir_material_for_fiscal_ym2/151698/00.pdf

2. Capital Structure

Foreign Shareholding Ratio

Over 10% and less than 20%

[Status of Major Shareholders] Updated

Name	No. of Shares Owned	Percentage [%]
The Master Trust Bank of Japan, Ltd. (trustee)	5,948,700	13.02
Nippon Life Insurance Company	2,225,860	4.87
Custody Bank of Japan, Ltd. (trustee)	1,836,100	4.02
K.K. Ashisuto	1,609,500	3.52
Itoki Corporation's affiliated companies stock ownership association	1,537,950	3.36
Mizuho Bank, Ltd.	1,121,402	2.45
Sumitomo Mitsui Banking Corporation	1,069,057	2.34
Itoki Corporation's employees stock ownership association	993,612	2.17
Fumiko Ito	923,916	2.02
Masamichi Yamada	827,600	1.81
Controlling Shareholders (except for parent company)	-----	
Parent Company	None	

Supplementary Explanation

3. Corporate Attributes Updated

Listed Stock Exchange and Market Section	Prime Market of Tokyo Stock Exchange
Fiscal Year-End	December
Type of Business	Other products
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	Over 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	Over 100 billion yen and less than 1 trillion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Over 10 and less than 50

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

5. Other Special Circumstances Which may have a Material Impact on Corporate Governance

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 company auditors
---------------------	-------------------------------

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	12
Term of Office Stipulated in Articles of Incorporation	1 Year
Chairperson of the Board	Chairperson (the chairperson serving as president concurrently)
Number of Directors	8
Appointment of Outside Directors	Appointed
Number of Outside Directors	3
Number of Outside Directors Appointed as Independent Executives	3

Relationship with Our Company (1)

Name	Attributes	Relationship with our company(*)										
		a	b	c	d	e	f	g	h	i	j	k
Hiroshi Nagata	Member of another company								△			
Shiro Nitani	Member of another company								△			
Mariko Bando	Member of another company								○			

* Items for Selection Regarding the Individual's Relationship with Our Company

* "○": The individual falls under the item in question presently or recently, "△": The individual fell under the item in question in the past

* "●": A close relative of the individual falls under the item in question presently or recently, "▲": A close relative of the individual fell under the item in question in the past.

a Executive of our company or its subsidiary

b Executive or non-executive director of the parent company of our company

c Executive of a sister company of our company

d Individual or an executive of a company with our company as a major business partner

e Major business partner or an executive of a major business partner of our company

f Consultant, an accounting expert, or a legal expert receiving large sums of money or other assets from our company outside of executive compensation

g Major shareholder of our company (in case the major shareholder in question is a corporation, then an executive of the corporation)

h Executive of a business partner of our company (not falling under either d, e, or f) (only for the individual in question)

i Executive of a company in which an outside executive has a concurrent post (only for the individual in question)

j Executive of a company to which our company has donated (only for the individual in question)

k Other

Relationship with Our Company (2) Updated

Name	Independent Executive	Supplementary Explanation Regarding Applicable Items	Reason for Appointment
Hiroshi Nagata	○	Mr. Hiroshi Nagata is from Mitsui & Co., Ltd., a business partner of our company, but the transaction amount with the company is less than 1% of our company's consolidated net sales and for common commercial transactions, so it is believed that there is no impact on the judgement of stakeholders and investors. Accordingly, the summary has been omitted.	He has been appointed as an outside director to reflect his abundant experience and deep insight into corporate management in our company's management. He plays a role in strengthening the management monitoring function of the Board of Directors by attending Board of Directors meetings and expressing appropriate opinions from an independent perspective. In addition, he does not satisfy any of the additional disclosure requirements for independency, and he has held no interest in our company's management from the past to the present. Therefore, it has been judged that there would be no conflict of interest with general stakeholders, and he has been appointed as an independent executive.
Shiro Nitani	○	Mr. Shiro Nitani is from Japan Post Holdings Co., Ltd. a business partner of our company, but the transaction amount with the company is less than 1% of our company's consolidated net sales and for common commercial transactions, so it is believed that there is no impact on the judgment of stakeholders and investors. Accordingly, the summary has been omitted.	He has been appointed as an outside director to reflect his abundant experience and deep insight in corporate management and facility design in our company's management. In addition, he does not satisfy any of the additional disclosure requirements for independency, and he has held no interest in our company's management from the past to the present. Therefore, it has been judged that there would be no conflict of interest with general stakeholders, and he has been appointed as an independent executive.
Mariko Bando	○	Ms. Mariko Bando is the Chancellor of Showa Women's University, and although there are transactions between our company or major subsidiaries and Showa Women's University, but the transaction amount is less than 1% of the annual consolidated net sales in the last fiscal year. She is also an outside director of MS&AD Insurance Group Holdings, Inc., and there are transactions between our company or major subsidiaries and Aioi Nissay Dowa Insurance Co., Ltd. and Mitsui Sumitomo Aioi Life Insurance Company, Limited, which are subsidiaries of MS&AD Insurance Group Holdings, Inc. Ltd. and Mitsui Sumitomo Aioi Life Insurance Company, Limited, which are subsidiaries of MS&AD Insurance Group Holdings, Inc., which amount to less than 1% of annual consolidated net sales in the last fiscal year.	She has abundant experience and deep insight in the fields of public administration and education. she was appointed as an outside director so that she can provide useful opinions and suggestions from a professional standpoint, particularly with regard to the diversity promotion and human resource development, as well as monitor management from an independent perspective. In addition, she does not satisfy any of the additional disclosure requirements for independency, and she has held no interest in our company's management from the past to the present. Therefore, it has been judged that there would be no conflict of interest with general stakeholders, and she has been appointed as an independent executive.
Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Compensation Committee			No

[Regarding Auditors]

Establishment of a Board of Auditors	Established
Total Number of Auditors as per the Articles of Incorporation	5
Number of Auditors	3

Cooperation Among Auditors, Accounting Auditors and Internal Audit Department

Auditors shall engage in audits in close cooperation with the accounting auditor “KPMG AZSA LLC,” receiving reports on their auditing policy, important auditing items, and auditing results, and exchanging opinions with them. In addition, auditors shall witness the visiting audit by the accounting auditor, and exchange opinions about the progress and details of audits.

Auditors give feedback about auditing results to the business execution section, requesting them to use it for improving their business operations. We have established Audit Department as an internal audit section. Auditors receive explanations about auditing plans, etc. at the beginning of each fiscal year, and check the statuses of audits on business operations and development/operation of internal control systems regularly and irregularly during the fiscal year.

State of Appointment of Outside Auditors	Appointed
Number of Outside Auditors	2
Number of Outside Auditors Appointed as Independent Executives	2

Relationship with Our Company (1)

Name	Attributes	Relationship with our company (※)													
		a	b	c	d	e	f	g	h	i	j	k	l	m	
Osamu Ishihara	Lawyer														
Hisashi Shirahata	Certified public accountant														

* Items for Selection Regarding the Individual’s Relationship with Our Company

* “○”: The individual falls under the item in question presently or recently, “△”: The individual fell under the item in question in the past

* “●”: A close relative of the individual falls under the item in question presently or recently, “▲”: A close relative of the individual fell under the item in question in the past.

- a Executive of our company or its subsidiary
- b Non-executive director or accounting advisor of our company or its subsidiary
- c Executive or non-executive director of the parent company of our company
- d Auditor of the parent company of our company
- e Executive of a sister company of our company
- f Individual or an executive of a company with our company as a major business partner
- g Major business partner or an executive of a major business partner of our company
- h Consultant, an accounting expert, or a legal expert receiving large sums of money or other assets from our company outside of executive compensation
- i Major shareholder of our company (in case the major shareholder in question is a corporation, then an executive of the corporation)
- j Executive of a business partner of our company (not falling under either d, e, or f) (only for the individual in question)
- k Executive of a company in which an outside executive has a concurrent post (only for the individual in question)
- l Executive of a company to which our company has donated (only for the individual in question)
- m Other

Relationship with Our Company (2)

Name	Independent Executive	Supplementary Explanation Regarding Applicable Items	Reason for Appointment
Osamu Ishihara	○	—	Mr. Osamu Ishihara has deep professional knowledge and abundant operational experience accumulated as a lawyer, and he has been appointed as an outside auditor so that his knowledge and experience will be reflected in the auditing system of our company. In addition, he does not satisfy any of the additional disclosure requirements for independency, and he has held no interest in our company's management from the past to the present. Therefore, it has been judged that there

			would be no conflict of interest with general stakeholders, and he has been appointed as an independent executive.
Hisashi Shirahata	○	—	Mr. Hisashi Shirahata has professional knowledge and abundant operational experience in finance and accounting as a certified public accountant, so he has been appointed as an outside auditor so that his knowledge and experience can be reflected in the auditing system of our company. In addition, he does not satisfy any of the additional disclosure requirements for independency, and he has held no interest in our company's management from the past to the present. Therefore, it has been judged that there would be no conflict of interest with general stakeholders, and he has been appointed as an independent executive.

[Independent Executives]

Number of Independent Executives

5

Other Items Related to Independent Executives

Our company has designated outside executives that satisfy our standards for independence as well as the standards specified by the Companies Act and securities exchanges as independent executives.

[Criteria for independence]

1. The candidate shall not have experience in executing duties at a subsidiary or affiliated company of our company at the present moment or at any point in the past 10 years.
2. The candidate shall not currently be a major shareholder (who holds 10% or more of the total number of voting rights) or a person executing duties for a major shareholder.
3. The candidate shall not be a person executing duties for a major partner company of our company (a partner company with which we carry out transactions yearly at an amount accounting for 2% or more of our consolidated sales, or a supplier from which we procure goods or services yearly at an amount making up 2% or more of the consolidated sales of the supplier).
4. The candidate shall not be a person executing duties for a major lender of our company (a financial institution from which we take out loans yearly at an amount accounting for 2% or more of our company's total assets).
5. The candidate shall not be an expert, such as a consultant, an accountant, or a lawyer, who receives money amounting to over 10 million yen or other property from our company every year, in addition to remuneration given to officers.

[Incentives]

State of Implementation of Incentive Policies for Directors

Adoption of a performance-linked remuneration system

Supplementary Explanation

The remuneration for each director is composed of fixed remuneration, performance-linked variable one, and shares with restrictions on transfer.

At the annual meeting of shareholders held on March 28, 2018, shareholders approved the proposal for adopting a system for giving shares with restrictions on transfer as remuneration for the purpose of providing directors with incentives for improving corporate value sustainably and sharing value further with shareholders as part of revision to our remuneration system for executives.

Individuals to Receive Stock Options

Supplementary Explanation

[Compensation for Directors]

State of Disclosure (of Individual Compensation for Directors) Updated

Disclosing some information individually

Supplementary Explanation Updated

Securities reports and business reports disclose the total remuneration amount of each of inside and outside directors in the previous fiscal year (which ended in December 2023).

Concretely, the remuneration for inside directors amounted to 362 million yen, while that for outside directors amounted to 30 million yen. The bonus in the previous fiscal year was 208 million yen for inside directors and 12 million yen for outside directors, while the stock-based compensation with restrictions on transfer amounted to 18 million yen for inside directors and 1 million yen for outside director.

Policy on Determining Remuneration Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Compensation Amounts and Calculation Methods

The remuneration for directors, excluding outside directors, is composed of (1) fixed remuneration, (2) performance-linked variable remuneration, and (3) stock-based compensation with restrictions on transfer (non-monetary remuneration), and their percentages are determined by the representative director. (1) Regarding fixed remuneration, monthly monetary compensation is paid in accordance with the monthly compensation table for each position, which was approved by the board of directors after discussing the appropriateness of each remuneration level. (2) Regarding variable remuneration, monetary remuneration for each position is determined while considering operating income in the fiscal year under review, which represents the results of corporate business activities, and individual performance, and paid after the fiscal year, so that they will contribute to the improvement in corporate performance. The consolidated operating income in the fiscal year under review is as shown in the consolidated profit-and-loss statement. The performance of each director is evaluated based on evaluation indicators specified for each business and each function in his/her field. (3) Regarding stock-based compensation with restrictions on transfer, stock-based compensation for each position is provided every fiscal year after the start of the medium-term management plan, for the purposes of improving corporate value sustainably and sharing value with shareholders. The stock-based compensation with restrictions on transfer is provided to only executives, for motivating them to achieve medium-term goals. The remuneration for outside directors is composed of fixed remuneration and stock-based compensation with restrictions on transfer.

At the annual meeting of shareholders held on March 29, 2001, it was resolved that the remuneration for directors shall be “up to 25 million yen per month” (excluding the salaries for employees). As of the end of said annual meeting of shareholders, the number of directors was 14, including 3 outside directors. Besides the fixed remuneration, variable remuneration that shall be within 10% of net income of our company (up to 10 million yen per year for outside directors) in each fiscal year was approved at the annual meeting of shareholders held on March 27, 2013, and stock-based compensation with restrictions on transfer that shall be “up to 120 million yen per year” (up to 5 million yen per year for outside directors) was approved at the annual meeting of shareholders held on March 28, 2018. As of the end of said annual meeting of shareholders, the number of directors was 6 (including 2 outside directors).

[Support System for Outside Directors (Outside Auditors)]

- We have appointed staff in charge of outside directors and outside auditors in the secretariat division of General Affairs Department.
- We inform executives of items to be discussed and related reference material for meetings of the board of directors in advance.

[Status of Persons who have Resigned as President and Representative Director, etc.]

Names, etc. of Advisors and Counselors who are Former President and Representative Director, etc.

Name	Title and position	Job description	Working style and conditions (Full-time or part-time, with or without remuneration, etc.)	Retirement date as a president, etc.	Term of office
Yoshiro Hirai	Special advisor	Advice, support, etc. for business administration	Part-time with remuneration	Mar. 24, 2022	1-year contract Resignation on March 31, 2023, due to the expiration of the contract period
Total Number of Advisors, Counselors, etc. who are Former President and Representative Director, etc.			1		

Other Items

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

Our company employs auditors. Eight directors, including 3 outside directors, constitute the board of directors. At the meeting of the board of directors, which is basically held once a month, the directors make decisions about the items specified in laws, regulations, and the articles of incorporation and important matters on business administration, and supervise business operations. Outside directors attend the meetings of the board of directors from the independent standpoint without any business interest in the management of our company, and express their appropriate opinions based on their plentiful experience and profound insight nurtured through long-time corporate management, fulfilling the role of enhancing the management supervision function of the board of directors.

The board of auditors of our company is composed of a full-time auditor and two outside auditors who possess plenty of knowledge and experience in various fields. At the meeting of the meeting of the board of auditors, which is basically held once a month, auditors have discussions and make resolutions for formulating their opinions on audits. Each auditor audits business execution in accordance with the auditing policy, auditing plans, and the division of duties specified by the board of auditors. All of the auditors attend the meetings of the board of directors, and the full-time auditor also attends the meetings of the board of managing directors, the meetings of executive officers, and other important meetings.

The term of office of each director is 1 year, so that they can establish a flexible management system that can swiftly respond to changes in the business environment.

For complementing the functions of the board of directors, the meeting of the board of managing directors (attended by directors, excluding outside ones, and some executive officers) is held once a week and the meeting of executive officers (attended by directors, excluding outside ones, and all executive officers) is held when the representative director considers it necessary, to deliberate important items to be resolved, follow the management policy thoroughly, and check the progress of business performance.

In addition, we adopted the executive officer system and clarified management responsibility and business execution, to strengthen the function of business execution and improve management efficiency. With this, we can respond to changes in the business environment and make decisions swiftly.

For strengthening the functions of auditors, we promote the cooperation between accounting auditors and the internal audit section, and appoint outside auditors who possess plentiful experience and advanced technical knowledge, as described in “Regarding Auditors.”

We have established Audit Department as an internal audit section, which is composed of 14 members and conducts audits in a planned manner.

From the viewpoints of legal accounting, appropriate disclosure of information to investors, and securing of continuity, we appointed “KPMG AZSA LLC” as an accounting auditor defined in the Companies Act and an auditor defined in “Financial Instruments and Exchange Act.”

3. Reasons for Adoption of Current Corporate Governance System

Our company believes that it is possible to strengthen the functions to audit and supervise business administration by utilizing the functions of outside directors (3 out of 8 directors) and outside auditors (2 out of 3 auditors), and adopted the current governance system for improving the transparency and fairness of our business administration.

III Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanations
Early dispatch of the notice of convocation of General Meetings of Shareholders	The convocation notice for the 74 th annual meeting of shareholders held on March 27, 2024 was dispatched on March 5, three weeks prior to the date of said meeting. We also uploaded the convocation notice to the websites of Tokyo Stock Exchange and our company on March 5, three weeks prior to the date of said meeting, in accordance with the electronic provision system.
Scheduling of General Meetings of Shareholders avoiding dates on which many other companies hold general meetings of shareholders	We held the 74 th annual meeting of shareholders on March 27, 2024, avoiding the dates on which many other companies held general meetings of shareholders in March, so that as many shareholders as possible could attend our meeting.
Allowing Electronic Exercise of Voting Rights	Since 2016, we have been allowing shareholders to exercise voting rights electronically.
Participation in the electronic voting platform and other efforts to improve the environment for institutional investors to exercise their voting rights	Since 2022, we have been utilizing the electronic voting platform.
Provision of the notice of convocation (summary) in English	In 2016, we started uploading the English version of each convocation notice (summary) to our website. (https://www.itoki-global.com/news/2024/itoki_en_stockholder240301.pdf)
Other	Convocation notices and notifications on resolutions are available in our website. (https://www.itoki.jp/ir/stockholder/notification.html)

2. IR Activities Updated

	Supplementary Explanations	Whether or not the representative him/herself gives explanations
Preparation and Publication of Disclosure Policy	A disclosure policy has been formulated, and is indicated in our website.	
Regular Investor Briefings for Analysts and Institutional Investors	At results briefing sessions, the representative explained the details of our business, the variation in business performance, and future plans. (August 8, 2023, February 14, 2024)	Yes

Posting of IR Materials on Website	Information on financial results, documents disclosed timely and arbitrarily, securities reports, materials for financial results briefing, etc. are available in our website. (URL: https://www.itoki.jp/ir/)
Establishment of Department and/or Manager in Charge of IR	We have established IR Section in Corporate Communication Control Division, Planning Department as a section in charge of investor relations.

3. Measures to Ensure Due Respect for Stakeholders Updated

Supplementary Explanations	
Development of Policies on Information Provision to Stakeholders	We have established Sustainability Promotion Section in Management Planning Division, Planning Management Department, Planning Headquarters as a section for promoting CSR activities. In FY 2020, we started issuing “Integrated Report of Itoki” as well as conventional sustainability reports, and uploading them to our website (URL: https://www.itoki.jp/sustainability/).

IV Matters Related to the Internal Control System Updated

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

Our company has formulated the following basic policies for developing a system for ensuring that directors execute their duties in accordance with laws, regulations, and the articles of incorporation, for the purpose of establishing a group-wide, comprehensive, integrated internal control system.

1. Systems to Ensure that the Execution of Duties by Directors Conforms to Laws and Articles of Incorporation (Article 362, Paragraph 4, Item 6 of the Companies Act)

- (1) To create “the Code of Conduct of the Itoki Group” as a code of conduct for directors and employees and strive to improve and promote it, to ensure the compliance with laws, regulations, and corporate ethics
- (2) The “regulations for the board of directors” and the “regulations for allocation of authority” clarify the authority allocated to each position and each position’s responsibility for executing duties faithfully. In addition, the execution of duties of directors is supervised through necessary resolutions and reports at the monthly meeting of the board of directors.
- (3) Auditors attend the meetings of the board of directors and other important meetings, to supervise the execution of duties of directors.

2. Systems Related to the Preservation and Management of Information Concerning the Execution of Duties by Directors (Article 100, Paragraph 1, Item 1 of the Ordinance for Enforcement of the Companies Act)

- (1) The minutes and requests for prior approval of the meetings of the board of directors and other important meetings and other information on the execution of duties of directors are recorded in documents or electromagnetic media, and appropriately stored and managed in accordance with laws, regulations, the articles of incorporation, and the “regulations for document management.”
- (2) To formulate the “basic regulations for information security,” the “basic policy for information security,” etc. and manage information appropriately.

3. Regulations and systems for managing the risk of loss in our company and subsidiaries (Article 100, Paragraph 2, Items 2 and 5 of the Ordinance for Enforcement of the Companies Act)

- (1) To formulate the “basic regulations for risk management of the Itoki Group,” accurately recognize and understand all kinds of possible risks in business, and develop and operate a system for managing them appropriately
- (2) To establish a risk management committee, which is chaired by the president, to make decisions about risk management policies and group-wide preventive measures, when necessary
- (3) The risk management committee designates a section in charge and a manager for each risk category, grasps, analyzes, and evaluates the risks of our corporate group, designs appropriate risk management measures, and make them known to all employees, for minimizing risks.
- (4) The internal audit section regularly audits the situation of risk management in each section, and reports the audit results to the board of directors and the board of auditors.

4. Systems to Ensure the Efficiency in Execution of Duties by Directors (Article 100, Paragraph 1, Item 3 of the Ordinance for Enforcement of the Companies Act)

- (1) In addition to the monthly meeting of the board of directors, the meeting of managing directors is held every week and the meeting of executive officers is held when considered necessary by the representative director, to complement the functions of the board of directors. With this system, we can respond to changes in the business environment and make decisions swiftly, by deliberating important items to be resolved, following management policies thoroughly, and checking the progress of business performance.
- (2) To adopt an executive officer system, separate business administration and business execution functions, streamline business administration, and clarify responsibilities
- (3) To maximize the merger effect through group-wide optimization and adopt the system for developing a headquarters for each function to strengthen group-wide functions
- (4) The “regulations for the board of directors,” the “regulations for allocation of authority,” and the “regulations for requests for prior approval” clearly define the authority allocated to

each position for business execution and the procedures for exercising the authority.

5. System for ensuring that employees execute their duties in accordance with laws, regulations, and the articles of incorporation (Article 100, Paragraph 1, Item 4 of the Ordinance for Enforcement of the Companies Act)

(1) Section 1, Item (1) for directors applies to employees, too.

(2) To establish a compliance committee in order to promote compliance-oriented management, discuss and determine important items regarding compliance at the meeting of the committee when necessary, and report results to the risk management committee

(3) To establish a compliance team as the secretariat of the compliance committee, and develop a compliance structure with compliance promotion committee members and staff in charge of promotion of compliance

(4) The compliance team discusses the status of compliance, etc. with the internal audit section, when necessary.

(5) To establish desks for receiving notifications on illegal acts inside and outside the company, and have lawyers of a law office receive notifications from the outside.

6. Systems to Ensure the Appropriateness of Tasks in the Business Group Consisting of Our Company and Subsidiaries (Article 100, Paragraph 1, Item 5 of the Ordinance for Enforcement of the Companies Act)

(1) To distribute the “code of conduct of the Itoki Group” to subsidiaries, to comply with laws and regulations thoroughly

(2) To establish the division for managing affiliated companies as a desk for receiving notifications from subsidiaries, and obligate subsidiaries to obtain approvals from our company and submit reports to our company in accordance with the “regulations for managing group companies”

(3) The accounting auditor, auditors, and the internal audit section of our company audit subsidiaries if necessary.

(4) To establish whistle-blowing systems in our company and subsidiaries

(5) To adopt consolidated management indicators and performance management indicators, and hold meetings for formulating group-wide basic management strategies

7. System for securing the reliability of financial reports

Our corporate group shall develop and operate an internal control system, constantly evaluate it and take necessary improvement measures so that the system will function appropriately, in accordance with our “basic policy for financial reports of the Itoki Group,” for the purposes of securing the reliability of financial reports and submit internal control reports effectively and appropriately pursuant to the Financial Instruments and Exchange Act.

8. Items regarding employees who assist auditors in their duties in the case where auditors request the appointment of such employees (Article 100, Paragraph 3, Item 1 of the Ordinance for Enforcement of the Companies Act)

When requested by auditors, directors will discuss a system for such employees with auditors, and take appropriate measures.

9. Items regarding the independence of the employees mentioned in the previous section from directors (Article 100, Paragraph 3, Item 2 of the Ordinance for Enforcement of the Companies Act)

Consent of auditors is required for appointing, dismissing, or changing such employees.

10. Items regarding the securing of effectiveness of instructions from auditors to employees (Article 100, Paragraph 3, Item 3 of the Ordinance for Enforcement of the Companies Act)

The provision that employees who assist auditors in their duties shall follow orders from auditors is made known to all executives and employees of our company.

11. Systems for reporting from directors and employees to auditors, and other systems for reporting to auditors (Article 100, Paragraph 3, Item 4 of the Ordinance for Enforcement of the Companies Act)

(1) Full-time auditors shall attend the meetings of managing directors, meetings of executive officers, and other important meetings or committee meetings, as well as the meetings of the board of directors, in order to grasp the process of important decision making and the status of business execution, and express their opinions if necessary.

(2) Directors and employees shall swiftly report items specified by law, items that would affect the business operations or performance of our company or subsidiaries significantly, results of internal audits, and notifications received through the whistle-blowing system to auditors.

(3) When requested by auditors, directors and employees of our company shall swiftly report items regarding the execution of their duties to the auditors.

(4) When requested by auditors, directors and employees of subsidiaries shall swiftly report items regarding the execution of their duties to the auditors.

12. System for ensuring that whistle-blowers will not suffer detrimental treatment (Article 100, Paragraph 3, Item 5 of the Ordinance for Enforcement of the Companies Act)

Any directors or employees of our company or subsidiaries who have reported to auditors of our company shall not receive detrimental treatment due to said reporting.

13. Items regarding procedures for the advance payment or reimbursement of expenses for execution of duties of auditors and policies for handling expenses or obligations arising out of execution of said duties (Article 100, Paragraph 3, Item 6 of the Ordinance for Enforcement of the Companies Act)

If auditors request us to bear expenses for execution of their duties, we will respond swiftly.

14. System for ensuring that auditors conduct audits effectively (Article 100, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act)

(1) Auditors and the representative director hold a meeting regularly, to deepen reciprocal recognition and trusting relationships.

(2) Auditors hold meetings with the accounting auditor and the internal audit section regularly and irregularly, to cooperate and enable comprehensive, efficient, effective audits.

2. Basic Views on Eliminating Anti-Social Forces and the Progress of Development

The “code of conduct of the Itoki Group” clearly states that our company will reject any relationship with an antisocial force or group, and make this rule followed thoroughly. We designate the General Affairs Department as a desk for responding to unreasonable claims from antisocial forces, appoint dedicated staff, collect information, and exchange information with other enterprises. We produce a manual for coping with emergency situations, and cement the cooperation with the police and corporate lawyers.

V Others

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures

No

Supplementary Explanation

Our company has resolved, at a meeting of the board of directors held on February 13, 2022, to adopt a plan for continuing countermeasures against large-scale acquisitions of our company’s shares (anti-takeover measures) (hereinafter referred to as the “plan”), under the condition that we obtain approval from our shareholders at the 73rd annual shareholders’ meeting to be held on March 23, 2023 (hereinafter referred to as the “shareholders’ meeting”).

1. Basic policy on ideal personnel who control decisions on our company’s financial and business policies

As long as our company’s shares are listed and free trading is allowed, we believe that the decision as to whether or not to accept a proposal for a large-scale acquisition of our company’s shares involving a transfer of control should ultimately be left to the will of our shareholders. Our company does not reject any proposal for a large-scale acquisition if it contributes to our corporate value and the common interests of shareholders. However, there are a number of proposals for large-scale acquisitions that are detrimental to the corporate value of the target company and the common interests of shareholders, such as those that (1) would cause obvious harm to corporate value and the common interests of shareholders in light of the purpose of the acquisition or management policy after the acquisition, (2) may effectively force shareholders to sell their shares, or (3) do not provide sufficient time or information for the target company’s board of directors or shareholders to consider the terms of the large-scale acquisition or for the target company’s board of directors to make an alternative proposal. We believe that the personnel who control the decisions regarding our company’s financial and business policies must fully understand the sources of our company’s corporate value and contribute to its continuous securing and improvement and the common interests of our shareholders. We believe that a person who proposes a large-scale acquisition that may damage our corporate value and the common interests of our shareholders is not an appropriate person to control decisions on our financial and business policies. Therefore, we believe that it is necessary to ensure our company’s corporate value and the common interests of shareholders by adopting necessary and reasonable measures against large-scale acquisitions by such persons.

2. Purpose of continuation of the plan

The plan was continued with the aim of ensuring and enhancing our company’s corporate value and the common interests of shareholders, in accordance with the basic policy described in Section 1. above.

The purpose of the plan is to deter large-scale acquisitions that are detrimental to the corporate value and the common interests of our shareholders by enabling the shareholders to decide whether or not to accept a large-scale acquisition proposal, or to secure the time and information necessary for the board of directors to propose an alternative plan to the shareholders, and to hold discussions and negotiations with the large-scale acquirer on behalf of the shareholders, when such a large-scale acquisition proposal is made.

Our board of directors has determined that a framework is necessary to prevent decisions on our company’s financial and business policies from being controlled by persons deemed inappropriate in light of our basic policy, and has continued the plan with the approval of our shareholders at this general meeting of shareholders.

3. Contents of the plan

(a) Acquisitions subject to the plan

The plan applies to (1) any purchase or other acquisition of share certificates issued by our company, resulting in the holder’s holding ratio of share certificates becoming 20% or higher, or (2) the acquisition or the like or a proposal for the acquisition of share certificates issued by our company, that corresponds to a tender offer that would result in the total ownership ratio of share certificates and the ownership ratio of share certificates of special related parties therewith becoming 20% or higher, excluding those with prior consent of the board of directors, (collectively referred to as the “acquisition”). The person who intends to make the acquisition (hereinafter referred to as the “acquirer”) shall follow the procedures set forth in the plan, and shall not make the acquisition before the board of directors passes a resolution regarding the non-implementation of the gratis allotment of share acquisition rights.

(b) Submission of a statement of intent

Prior to the acquisition, the acquirer shall submit to our company documents including a written pledge that the acquirer will comply with the procedures of the plan (signed or stamped with a name and seal by a representative of the acquirer) and a certificate of qualification of the representative who has signed or stamped said document (hereinafter collectively referred to as the “statement of intent”) in a form separately specified by our company.

(c) Requesting the acquirer to provide information

Within 10 business days from the day following the date of receipt of the statement of intent, our company shall, unless otherwise approved by our board of directors, provide the acquirer with a written list of information necessary to examine the details of the acquisition (hereinafter referred to as “necessary information”), and the acquirer shall submit a document describing the necessary information (hereinafter collectively referred to as the “acquisition statement”) in a form specified by our company in accordance with the description in said list. Upon receipt of the acquisition statement, the board of directors of our company shall promptly provide it to the independent committee. In response to this, if the independent committee determines that the details of the acquisition statement are insufficient as necessary information, the independent committee may request the acquirer to provide additional necessary information in writing by itself or through the board of directors after setting a deadline for response (as a general rule, up to 60 days from the date of initial receipt of the necessary

information).

For your information, the independent committee is established for the purpose of making objective decisions on the implementation or non-implementation of the gratis allotment of share acquisition rights or the acquisition of share acquisition rights in accordance with the plan, eliminating arbitrary decisions by the board of directors, and consists of highly independent outside directors and outside corporate auditors.

(d) Evaluation and review by our board of directors and provision of opinions to the independent committee

The board of directors of our company shall, after completion of the acquirer's submission of the acquisition statement and the necessary information (if any) additionally requested by the independent committee, have a maximum of 60 days (or until the deadline for the request for provision of opinions by the independent committee, if it is earlier) to evaluate, examine, negotiate and form an opinion on the acquisition proposal. During this period, the board of directors will fully evaluate and examine the necessary information provided by the acquirer, carefully formulate the board of directors' opinion, and if necessary, disclose a summary thereof and provide the independent committee with the materials supporting such opinion, alternative proposal (if any), and any other information that the independent committee deems necessary.

(e) Procedures for review and recommendation by the independent committee

If the independent committee finds that the acquirer and the board of directors of our company have provided sufficient information (including the additionally requested), the independent committee will, in principle, set a review period of up to 60 days (hereinafter referred to as the "independent committee review period") and notify the acquirer and the board of directors thereof. During the independent committee review period, the independent committee shall examine the terms of the acquisition by the acquirer, collect and compare information regarding the management plan and business plan of the acquirer and the board of directors of our company, and examine alternative plans presented by the board of directors of the company. In addition, if it is deemed necessary to improve the details of the acquisition from the perspective of securing and improving our company's corporate value and the common interests of shareholders, the independent committee shall, directly or indirectly through the board of directors of the company, discuss and negotiate with the acquirer, and based on the results of such discussion, make the following recommendations to the board of directors regarding whether or not to implement the gratis allotment of share acquisition rights.

(1) In the event that the independent committee recommends the activation of this plan

If the independent committee determines that an acquisition by the acquirer falls under any of the conditions outlined in the plan, the independent committee will recommend the implementation of the gratis allotment of these share subscription rights to the board of directors of our company. In cases where the applicability of said implementation to a particular acquisition is in question, the independent committee may add a note that prior approval by a general meeting of shareholders should be obtained for the implementation of the gratis allotment of share acquisition rights.

(2) When recommending non-implementation of the gratis allotment of share acquisition rights

If the independent committee determines that the acquisition by the acquirer does not meet the conditions for the gratis allotment of share acquisition rights, the independent committee will recommend to our board of directors that the gratis allotment of share acquisition rights should not be implemented, regardless of whether or not the independent committee review period has passed.

If the independent committee does not decide whether or not to recommend the implementation of the gratis allotment of share acquisition rights by the end of the initial independent committee review period, the independent committee will pass a resolution to extend the independent committee review period within a reasonable range (up to 30 days in principle).

(f) Resolutions of the board of directors and the general meeting of shareholders

The board of directors of our company shall have discussions when necessary even after giving opinions, etc. to the independent committee. If the board of directors receives the above recommendation from the independent committee, it shall respect such recommendation to the maximum extent possible, and shall carefully pass a resolution concerning the implementation or non-implementation of the gratis allotment of share acquisition rights as an organization under the Companies Act as soon as possible. However, in the event that a general meeting is held to confirm the intentions of shareholders, our board of directors shall pass a resolution regarding implementation or non-implementation of the gratis allocation of share acquisition rights as an organization under the Companies Act in accordance with the resolution of said meeting.

(g) Application of the plan by the gratis allotment of share acquisition rights

If the implementation of the gratis allotment of share acquisition rights is resolved at a meeting of the board of directors or a general meeting of shareholders of our company, the share acquisition rights will be allotted free of charge to all shareholders including the acquirer, excluding our company, under this plan, but such share acquisition rights will be subject to the exercise condition that the exercise of rights by the acquirer is not permitted in principle and an acquisition clause that our company can acquire these share acquisition rights from shareholders other than the acquirer in exchange for shares in our company. Therefore, if shareholders other than the acquirer exercise share acquisition rights or if our company acquires the share acquisition rights allotted to shareholders other than the acquirer, one share of the company will be delivered per share acquisition right to shareholders other than the acquirer, and as a result, the ratio of voting rights held by the acquirer in our company will be diluted up to 50%.

(h) Effective period of the plan, and abolishment of the plan

The effective period of the plan shall be until the end of the ordinary general meeting of shareholders regarding the last fiscal year ending within three years after the end of this general meeting of shareholders.

However, even before the expiration of the effective period, if a resolution to abolish the plan is passed at a general meeting of shareholders of our company or at a meeting of the board of directors of our company held by directors elected at a general meeting of shareholders of our company (the term of office of directors of our company is one year, and the intentions of our shareholders can be reflected through the annual election of directors), the plan shall be abolished in accordance with said resolution.

For details of the plan, please refer to our press release "Continuation of countermeasures (anti-takeover measures) in response to large-scale acquisitions of our company's shares" dated February 13, 2023, which is posted on the IR information page of our website.

2. Other Matters Concerning Corporate Governance System

The status of our internal system for timely disclosing corporate information is as follows.

1. Basic stance for timely disclosure

We sufficiently recognize that it is essential to disclose corporate information timely and appropriately in order to develop a sound capital market, and our basic policy is to timely disclose reliable and consistent corporate information to capital market players, including investors, in accordance with related laws, such as the Financial Instruments and Exchange Act, and regulations of the securities exchange in which our company is listed, and pursue fair information disclosure so that all market players can equally access the information we have disclosed.

We consider the unreleased information of the following corporate information as “important information” that should be announced.

(1) Information that needs to be disclosed in accordance with laws, regulations, regulations for timely disclosure specified by securities exchanges, etc.

(2) Corporate information that is to be voluntarily announced to the securities exchange in which our company is listed although it does not fall under the above, because said information is considered to influence investors’ judgment on investment significantly

Our company registers important information that falls under the above items in the system for conveying timely disclosed information (TDnet) operated by said exchange and discloses said information in accordance with the regulations for timely disclosure specified by Tokyo Stock Exchange, and then swiftly sends disclosed material to news agencies and others by mail, and uploads it to our website. In addition, we announce such information at a press conference or the like, if necessary.

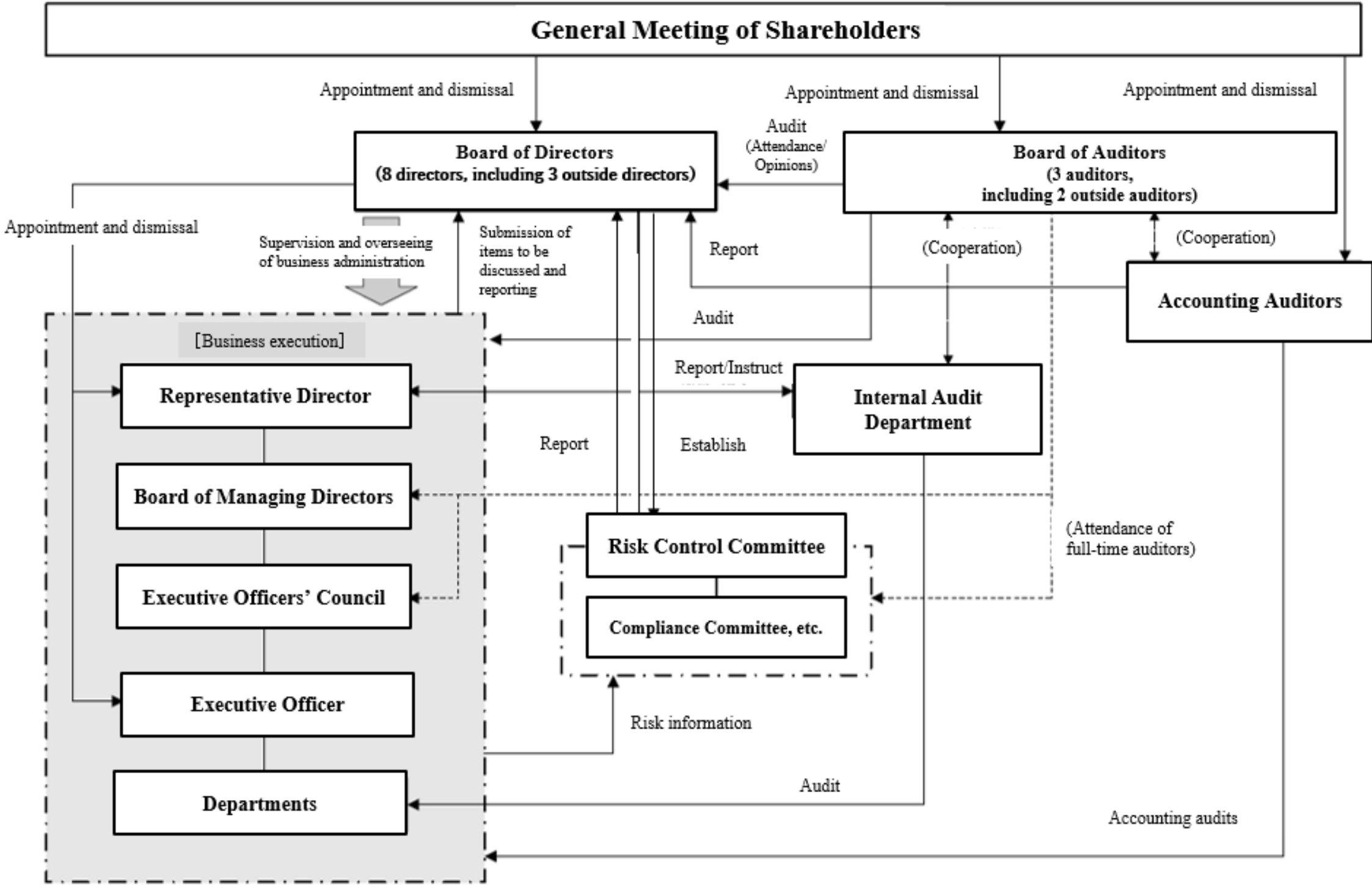
2. Internal system for timely disclosure

With the basic stance described in the above section 1, our company defines important corporate information (on financial results, decisions, and events) as items to be discussed and reported at meetings of the board of directors, in the regulations for the board of directors and the regulations for allocation of authority, and proposals and reports from each section to the board of directors are deliberated by the board of managing directors, and then collected by the head of the General Affairs Department, who serves as the secretariat of the board of directors. The head of the General Affairs Department judges whether or not they are important information through consultations and discussions with the executive in charge of the general affairs section, who is the information handling manager, and related sections, such as the Publicity/IR Department and the Accounting Department. If there emerges any question, we will consult with related institutions, such as the securities exchange in which our company is listed. If an item falls under important information and needs to be disclosed timely, the section in charge will produce material to be disclosed, and swiftly complete the specified procedure for timely disclosure after the board of directors approves said item.

Auditors attend meetings of the board of directors, to audit the process of timely disclosure.

The head of the General Affairs Department instructs related sections to manage information rigorously so that important information will not leak inside or outside the company before disclosure of said information, and manages the acquisition of treasury shares and the trading of shares of our company by executives and employees of our company. Regarding the trading of shares of our company by executives and some employees, the “regulations for preventing insider trading” stipulate that it is necessary to obtain permission from the head of the General Affairs Department in advance in order to trade shares of our company.

Corporate Governance Structure of Itoki Corporation



<In-company structure for timely disclosure of our important information, including financial results, decisions, and events>

