



# Sustainability Report 2021

## Introduction

At our company, we believe that the results of our effort to address ESG issues will enhance the sustainability of our business and enhance corporate value. Since all our products and services are the infrastructure (IT infrastructure) that plays an essential role in society, the efforts to improve human capital of our employees not only ensure the stable operation of the IT infrastructure, but can also have a significant effect on improving the quality of products and services beyond the scope of business risk management.

Based on this idea, we are actively pursuing comfortable working environment and worthwhile jobs for our employees, and accordingly forging various initiatives to realize the ways of working in which employees can contribute to the company for being who they are. For our employees to take on new challenges and grow themselves as well as the company, we believe that it is essential to create an environment that supports autonomous workstyle.

In addition, our company's human resources encompass a diverse range of age, background, and nationality.

By respecting the diversity of our employees' approach to working, we want to create an organizational culture that turns our diversity into strengths.

Kunimitsu Sato, Chief Executive Officer, Representative Director  
 Chairman of Sustainability Committee  
 September 2021

## Background and materiality

According to the Sustainability Accounting Standards Board (SASB) classifications, the prior ESG issues for the companies in the software and IT service industries to which we belong, are those related to human and social capitals, governance, and environmental aspects.

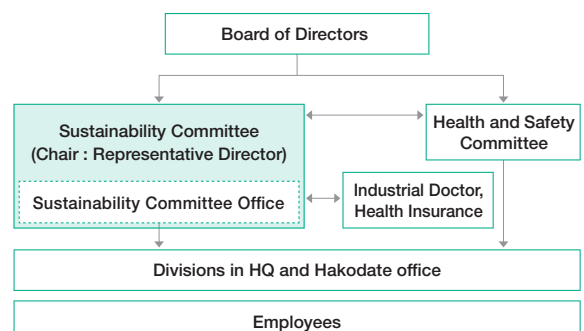
At our company, we believe that human resources are the most important for providing system development and IT services, which are our main businesses. Making the most of the technology and knowledge of our engineers and nurturing them are the crucial factors in the continuity and growth potential for our business. In addition, the ESG issues related to social capital, including the information management and data security issues, are important factors for the continuity of our business in the context of market and customer relationships.

From this perspective, this report focuses on strengthening our company's human and social capitals. Although our governance is briefly mentioned in this report as well, for more in detail, please refer to the Securities Report and the Corporate Governance Report.

## Structure for promoting sustainability activities

The Sustainability Committee was established at our company in April 2021. It is chaired by Kunimitsu Sato, CEO, Representative Director, and consists of the director, executive officers as the main members.

The committee is working as a core organization to ensure the continuity of the company-wide activity promotions by establishing the policies related to "Contribution to Society," "Establishing a Good Corporate Climate," "Prohibition of Discrimination," "Consideration for the Global Environment" and other practices set out in our company's "Code of Business Conduct".





# To strengthen human capital

## 1. Promotion of Health and productivity management

Health and productivity management is defined as the strategic implementation of employees' health management from a corporate management perspective and is expected to contribute to the enhancement of corporate value and business continuity. The most important management resource in our business is our human resources, and promoting their health is extremely beneficial to the realization of our mid/long-term management goals and management philosophy. With the aim of sharing this basic approach with employees and all stakeholders, we formulated the Declaration of Health and productivity management in May 2021, which was resolved by the Board of Directors and disclosed both internally and externally. In addition, we established a Health and productivity management Working Group (WG) under the Sustainability Committee as an organization to specifically promote the Declaration of Health and productivity management we formulated. The Health and productivity management WG is composed of a diverse group of members regardless of gender, nationality, or position, with the aim of discussing and implementing company-wide measures. We are discussing ways to solve various issues related to the physical and mental health of employees, such as sleep, eating habits, and working styles.

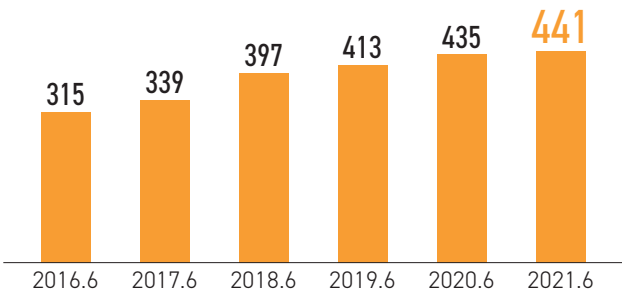
### Declaration of Health and productivity management

**We will promote initiatives for our employees to remain healthy both physically and mentally.**

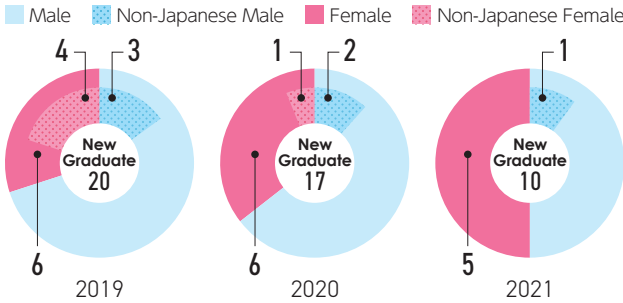
## 2. Diversity: Utilization of Diversity

We are committed to hiring people with diverse values, regardless of gender or nationality. The number of employees has increased about 1.4 times from five years ago as the expansion of the business scale. In recent years, the percentage of women and foreign nationals has been increasing, and it is essential to create a work environment and systems that are compatible with such a diverse workforce to achieve mid/long-term growth.

Variation in the number of employees [persons]



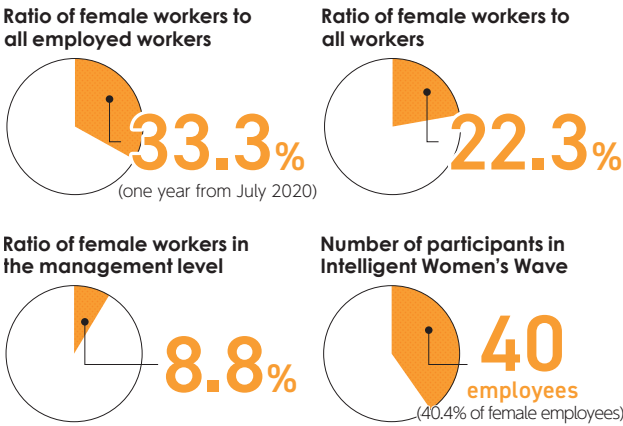
Situation of recruitment of new graduates



### Empowerment of female employees

Our company is enhancing measures for empowering female employees. In our "Action Plan for Empowering Women" submitted to the Ministry of Health, Labour and Welfare, based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace, we sets a goal of doubling the ratio of female managers and high-level professionals in development divisions from 3.5% as of December 2019 to 7% by 2022. To achieve this goal, we are continuing the Intelligent Women's Wave activities based on the idea that it is necessary to create an environment where female employees can easily consult with each other about their career paths and life plans. This is a mentoring system for female employees, and as of the end of June 2021, 40 employees, or 40.4% of a total of 99 female employees, are making use of this system.

We are also continuing to implement other measures to ensure the safety of female employees when commuting to and from work.

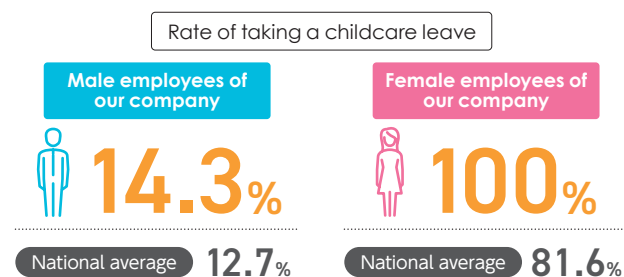


As of June 30, 2021

## Support for a good balance between work and childcare

To support life events such as childbirth and childcare, we have a special three-day leave of absence that can be used when a spouse gives birth, and a system to shorten working hours by up to two hours per day until the child enters junior high school. In terms of childcare leave, 100% of women and 30% of men took childcare leave in 2019, and 100% of women and 14.3% of men took childcare leave in 2020, exceeding the national average rate for both men and women, every year.

### In-company atmosphere where employees can take a childcare leave casually



\* As for our company, the information in fiscal 2020 is indicated. As for the national averages, the information in fiscal 2019 is indicated.  
Source: "Basic Survey of Gender Equality in Employment Management in FY2020" by the Ministry of Health, Labour and Welfare

## Further employment and empowerment of non-Japanese employees

As the number of non-Japanese employee increases, we are working to create an environment where we can respect each other's culture, ideas, and customs regardless of nationality. To help foreign employees

adjust to life and work in Japan, recruitment staff and the sections to which they are assigned to are working together to strengthen support for improving their business-level Japanese language skills.

## 3. Reform of workstyles

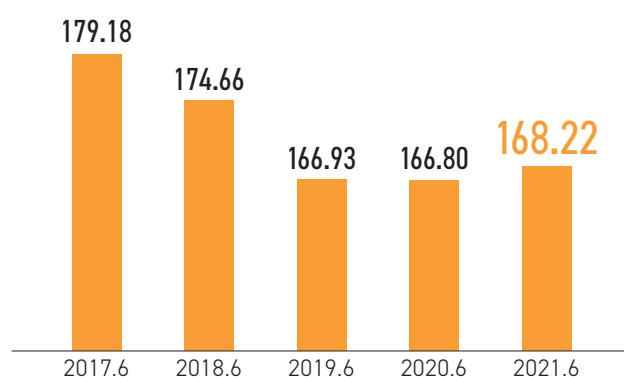
About 75% of our employees are engaged in system development work, and to provide high-quality systems and services to our customers, it is important for us to carefully manage our employees' working hours and develop a comfortable working environment and policies. Through our efforts to reform of workstyles, we aim to reduce the total working hours of our employees and improve their work-life balance, thereby securing excellent human resources and improving our mid/long-term performance. Employees will be able to reform of workstyles by choosing their own diverse and flexible work styles according to their individual circumstances.

### Activities for Creating Time

The CEO himself is strongly promoting the reform of workstyles. From February 2017 to July 2020, we gathered all managers and held a monthly meeting called "the Conference for Creating Time" to repeatedly convey the importance of reducing overtime work and creating time outside of work so that the work style reform would spread throughout the company, and provided direct guidance to managers in departments where long working hours were observed. As the work style reform has steadily penetrated the entire company, since August 2020, we have been instructing not all managers, but only those managers in departments that worked long hours in the previous month. Since July 2021, we have been checking the status of employees' working hours at meetings where senior management gathers, such as the Executive Committee, and if any employee exceeds the upper limit of working hours at the Company, we provide guidance to the relevant department as necessary. Since the start of the activities, the working hours of the entire company have been steadily decreasing, and in 2021, we were able to reduce the average

monthly working hours by about 6% compared to 2017. Based on the policy that the reduced working hours are the result of the employees' efforts, we return the reduced working hours to the employees in monetary form as "Allowance for Creating Time" according to the actual reduction. We will continue to manage our working hours and create an environment that leads to increased productivity for our employees.

### Variation in monthly average working hours per employees [hours]



## A variety of working options for employees

### ■ Telework

We introduced the telework system in October 2018 for employees with specific circumstances such as childcare or nursing care. In 2019, 18 employees utilized this system, but in light of the spread of the COVID-19 infection, we eliminated the requirement for using this system, and since April 2020, we have provided an environment in which all employees can work from home.

### ■ Breakfast service for encouraging the early-bird shift

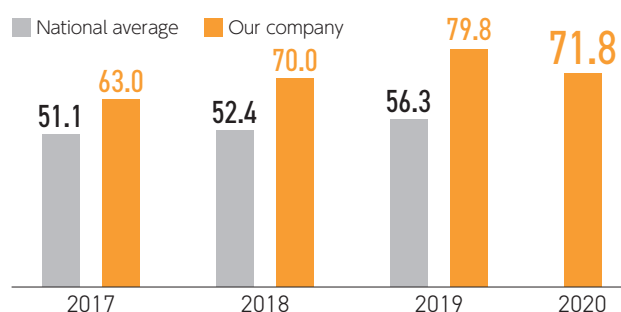
Morning meal is served between 8:00 and 9:30 a.m. on weekdays for our employees and affiliated companies. The service was launched in June 2019 with the aim of breaking away from long working hours and night shifts and improving productivity by promoting health, and about 60% of employees are using the service.

### ■ Encouraging employees to take a leave

In 2018, we established a system in which employees can take an annual paid leave in units of hours, and are promoting the systematic use of paid leave in light of a work style reform law, which gradually came into effect from April 2019. In addition to the five days of paid leave per year stipulated by a work style reform

law, we have added one day in 2019 and three days in 2020 as our own system, so that all employees can take a minimum of eight days of paid leave per year, and we are managing all employees' use of paid leave, and if there is a short fall to eight days, we are conducting awareness-raising activities to promote the use of paid leave. Since the implementation of the system in 2019, all employees have been able to take five days of paid leave per year, and the overall rate of paid leave usage was 79.8% in 2019 and 71.8% in 2020, which is extremely high compared to the national average of 56.3%. Thus, we can say that we are succeeding in building a company culture which let employees to take paid leave freely.

### Variation in the rate of taking a paid leave [%]



\* Source : "General Survey on Working Conditions 2020" by the Ministry of Health, Labour and Welfare

## Measures to promote employees' health

### ■ Health consultation service by public health nurse

To strengthen the health management system, regular visits by public health nurse began in June 2021. Public health nurse provides health guidance based on the results of health examinations and encourages employees with abnormal results to undergo medical examinations to actively prevent lifestyle-related diseases. In addition to the existing industrial physician, a health consultation service by a public health nurse has been added so that each employee can feel free to consult. In addition to providing consultation services, public health nurse also meets with new employees who need care and support, as well as employees who are sick or undergoing medical treatment.

### ■ Mental health measures

Stress check test have been conducted once a year since 2016, and from 2019 onward, debriefing sessions on the results of group analysis have been held for managers with the aim of strengthening company-wide mental health measures. In addition, from 2020, we have been providing individual consultations for managers on the results of the test, and in 2021, we offered mental health self-care and line care training based on the results of the test's group analysis.

### ■ Physical health measures

A total of four webinars were conducted in July 2021 on fatigue and recovery methods, cancer, alcoholism, smoking, women's health, shoulder stiffness, and back pain. These webinars were targeted not only to employees, but also to their family members to improve the health literacy of the employees and their families.

### ■ Full payment of health checkup expenses

Until FY 2020, employees aged 35 and over had to pay a portion of the cost of full health checkups but from FY 2021, with the aim of improving the rate of checkups, the company began to cover the entire cost, and the same applies to their dependents.

### ■ Special leave for infectious diseases

To create an environment that facilitates vaccination against COVID-19, we introduced vaccination leave (special leave) of five days per year (maximum 40 hours) in June 2021. This leave can be used not only for the time to get vaccinated, or when sick after the vaccination, but also when accompanying a family member who lives with them to get vaccinated, and can be taken on an hourly basis.

As for seasonal influenza, those who got infected can take a special three-day leave for influenza as part of our efforts to prevent the spread of infectious diseases.

## 4. Improvement in Engagement

We are striving to create a rewarding work environment and systems that allow our employees to maximize their potential. Since 2017, we have been conducting satisfaction surveys to monitor the status of employee engagement and to improve our organizational culture.

### Satisfaction survey

Since 2017, we have conducted an annual satisfaction survey for our employees. The average response rate for the past four surveys has been extremely high at 89%, and the survey response has been used to promote the use of paid leave and strengthen training programs for managers.

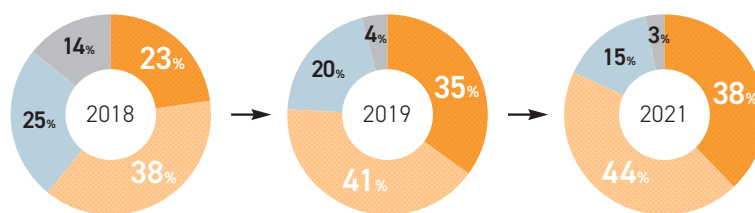
In 2018, employee engagement improved significantly because of enhanced efforts to create a comfortable and rewarding work environment, including the adoption of telework, benefits based on actual overtime work reduction, the partial introduction of a discretionary work system, as well as the business idea contest

and Fika described below. We will continue to listen to the voices of each and every employee through this survey to further improve the workplace environment.

#### Regarding the improvement of the corporate climate

Do you think your job is more worthwhile and your working environment is more comfortable than before?

■ I think so ■ I somewhat think so ■ I hardly think so ■ I do not think so



\* Not implemented in 2020 due to the COVID-19 pandemic

### Various measures to make jobs more worthwhile

#### Free Agent system

Since 2017, we have implemented an annual Free Agent (FA) system. The FA system allows employees who have been in the same job for a long period of time to apply for a transfer to another department. This system has been established to increase employee motivation and create opportunities for employees' growth. To date, a total of 11 employees have applied for FA, and 8 of them have been transferred to their desired departments, expanding their field of activity.

#### Mentoring system

In November 2016, we adopted a system for interviews between employees who will lead the next generation (mentees) and executives and general managers of other departments (mentors). The system allows mentees to meet with mentors from other departments so that they can freely discuss their work-related concerns and their own career paths. Mentors provide advice to mentees according to the nature of the consultation and, if necessary, directly approach the mentees' superiors, thereby contributing to a reduction in the turnover rate as mentee engagement increases. The mentees in this program are changed periodically, and 95 people have used the program so far.

#### Encouraging employees to obtain public qualifications

We encourage our employees to acquire qualifications, and we provide incentives and awards for those who have acquired them. Qualifications include information processing, project management, and TOEIC, but we actively encourage our employees to obtain certifications related to credit card business, which are directly related to their work, and as of the end of June 2021, a total of 130 employees held certifications in credit card business.

#### Business idea contest

Since 2019, we have been holding an annual business idea contest to raise employees' awareness of issues. In 2021, we have added new requirements such as "new ideas based on current trends such as post-pandemic society" and "new methods and approaches to increase corporate value from a non-financial perspective," and the total number of applications has increased significantly from 44 in 2020 to 77. In the end, six cases were selected for commendation, and the corresponding employees were given incentives. Research and development for commercialization of awarded business ideas are being discussed within the company, and we expect that this will lead to the creation of businesses that will support our future growth in the medium term.

#### Fika

Fika is a Swedish custom, a short break to have tea and spend time with friends or work colleagues. We conduct these meetings on a regular basis with the aim of enhancing internal communication. These meetings are held in the company's refreshment space and are a great way to communicate with employees from one's own department and other departments over snacks and tea.

\* To prevent the spread of COVID-19, we have temporarily suspended this service.







# To strengthen corporate governance

## Basic policy for corporate governance

At our company, we position corporate governance as one of the most important management issues. Our management philosophy is to "create the safety and convenience for the information society of the next generation," and in accordance with this philosophy, our management policy is to increase corporate value and contribute to society by promoting businesses that provide a high-speed, safe, high-quality, and user-friendly IT infrastructure.

As we develop the systems that are an essential IT infrastructure for society, we are expected to provide the high-level quality for completing transactions instantly and secured, with system stability as an essential condition. We have amassed numerous development results and stable operational results, and we believe that our customers' trust in us based on this record of accomplishment will be the foundation for supporting and developing our business.

These achievements are the result of the accumulation of daily efforts by our employees, etc., and we are focusing on the measures to improve the way they work and enhance their work performance. We will keep making achievements by strengthening our most important management resources: human capital which is our employees.

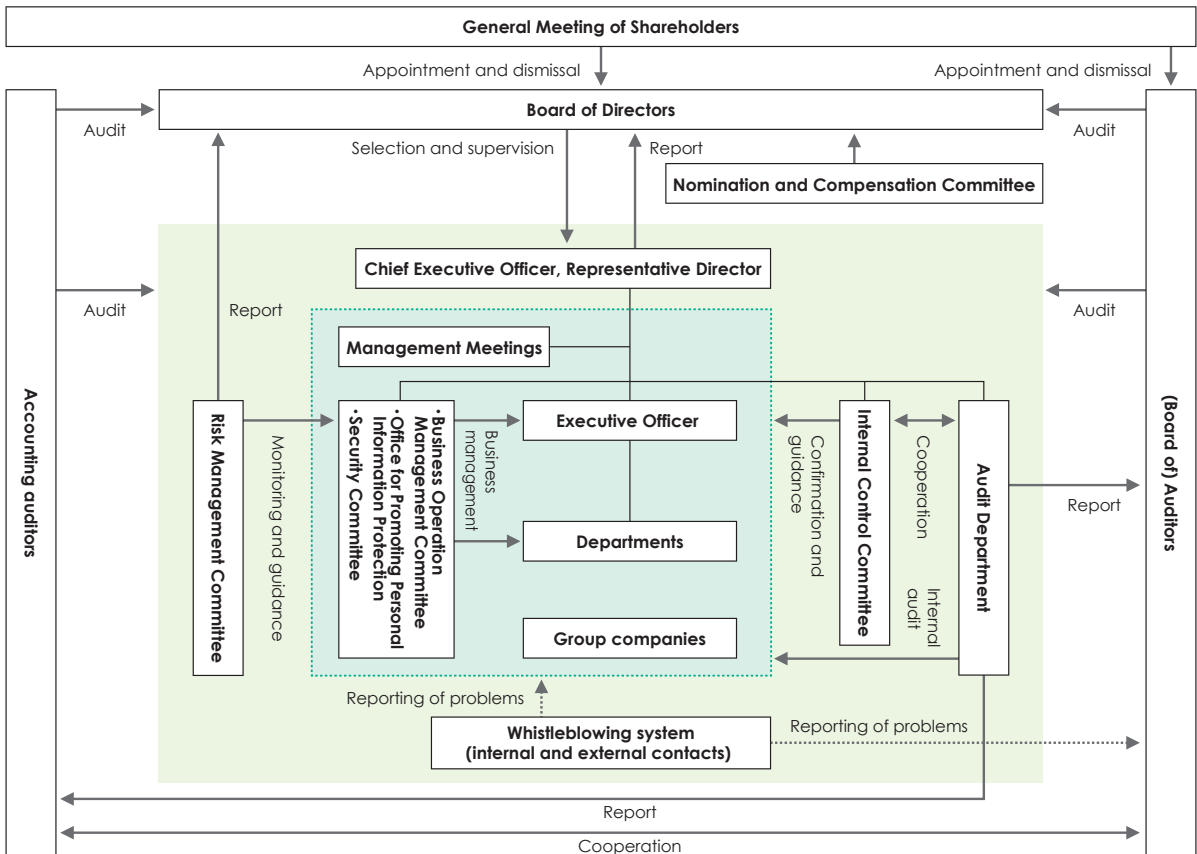
At the same time, while being aware that strengthening human capital and advancing the corporate governance improvements are important for enhancing corporate value, we not only aim to respond to the requests from capital markets, but also respond positively and sensitively to changes in social conditions.

As an example, our company has established the Nomination & Compensation Committee, which consists chiefly of independent outside directors, as an advisory body to the Board of Directors to strengthen its function of management supervision. Notably in the FY ended June 2021, the committee changed its structure to strengthen its independence by appointing an independent outside director as its chairman, while appointing three members in total, of whom one was the representative director and the other two, independent outside directors.

In addition, our basic policy is to ensure management transparency by fairly and promptly disclosing information that is useful for understanding the status of our management and businesses, and by promoting dialogue with the market. At the same time, we strive to enhance corporate governance comprehensively by educating our employees fully to raise their awareness of compliance.

For more information on corporate governance, please refer to the Securities Report and the Corporate Governance Report.

## Corporate Governance Structure



## Description of the principal meeting bodies

### ■ Board of Directors

The Board of Directors is established as an organization that deliberates and decides important matters for management, and supervises the execution of duties by the directors. Consisting of six directors (including two independent outside directors), the regular meetings are held monthly while the extraordinary meetings can be held at any time, and during the FY ended June 2021, 18 meetings were held in total. As important matters for management, we reviewed and approved the medium-term business plan, and passed the resolutions on various proposals regarding the investments in R&D exceeding a certain amount, executive compensation and personnel systems for employees, organizational reform and executive personnel, and the development of governance systems.

### ■ Nomination and Compensation Committee

The Nominating & Compensation Committee is in place as an advisory body to the Board of Directors. Chaired by an independent outside director, it consists of three members: one representative director and two independent outside directors. As consulted by the directors, the committee reports back to the Board of Directors with its collective opinions after deliberating on the nomination of candidates for directors and audit & supervisory board members, and the compensation-related proposals. In FY ended June 2021, the committee was held for five times, and the committee reviewed and discussed our company's response policies to the revisions to the Corporate Governance Code, the appointment of candidates for directors and executive officers, and the review of the compensation system for full-time directors.

### ■ Risk Management Committee

To create reliable financial reports, the Risk Management Committee is set up and operated as an effective risk assessment mechanism that engages managers and administrators at appropriate levels. It comes under the direct control of the Board of Directors and is chaired by the CEO with the executive officers as its members, and held quarterly and whenever necessary. The committee evaluates the comprehensiveness and appropriateness of risks and the appropriate countermeasures reported by each meeting body, and provides guidance and supervision as necessary.

### ■ Management Meeting

With all our directors, executive officers, and auditors in attendance, the explanations on the proposals scheduled to be submitted to the Board of Directors, and reports on the progress of the ongoing R&D and individual development projects are presented at the Management Meetings. Since the improvement of the quality of discussions at the Board of Directors is its purpose, this meeting is not authorized to approve or make any decisions. Some of the Management Meetings' agendas are subsequently raised as proposals to the Board of Directors and resolved.

### ■ Board of Auditors

We are a company with Auditors which consists of five auditors (including one full-time auditor and three outside auditors). In addition to holding a meeting every month, extraordinary meetings are held from time to time to resolve, discuss, and report on important matters related to audits.

## Evaluation of the effectiveness of the Board of Directors

To evaluate the effectiveness of the Board of Directors as a whole, every other year we commission external organizations to conduct questionnaire surveys targeted at all our directors and auditors, and receive reports on the results. In the survey conducted in February 2020, all officers requested that the discussions at the Board of Directors to be even more dynamic, and they also pointed out a number of issues including the sharing of various information useful for deliberations as the background for each proposal, such as the relationship between the business environment and the company's business strategy and technical information, and issues such as the format of reference material and the management of meeting proceedings. Our company has redefined the Management Meeting established separately as an opportunity to share information among officers and reports on a wide range of proposals with relevant information to further enhance discussions at the Board of Directors. Through these initiatives, we are working to improve the effectiveness of the Board of Directors.

## Policies to protect minority shareholders

Our company is making an effort to not damage the interests of minority shareholders when trading with the parent company, by determining fair and appropriate trading conditions based on rational judgement like the case of trading with other clients. Before engaging in transactions with the parent company, trading conditions are debated and discussed individually by a management board of full-time directors and in-company staff, so as not to leave any omissions. In addition, important transactions with the parent company are reported to the Board of Directors. Of the six directors appointed to the Board of Directors, two are independent outside directors: this is to keep building and operating a governance system that maintains and strengthens the independence and autonomy of the management.

## To strengthen social capital



### Protection of personal information (PrivacyMark System/JIS Q 15001:2017)

The PrivacyMark indicates that our company is audited by an evaluation organization regularly and has a system for taking appropriate measures for protecting personal information. Our company appropriately handles personal information, including specific personal information, in system development, marketing and recruiting which use personal information, including credit card data.



### PCI DSS (Version 3.2) (Payment Card Industry Data Security Standard)

PCI DSS is a security standard in the credit card industry, which was established for the purpose of handling the data of credit card users in a safe manner. Our company offers cloud systems for network connection for credit card settlement, fraud detection, and acquiring processes. We operate our business safely by obtaining the standard.

### Corporate Profile

Corporate name	Intelligent Wave Inc.
Date of establishment	December 1984
Location	Kayabacho Tower, 1-21-2 Shinkawa, Chuo-ku, Tokyo 104-0033
Capital	843.75 million yen
Representative	Kunimitsu Sato, Chief Executive Officer, Representative Director
Number of employees	441 (As of June 30, 2021)
Stock exchange	The First Section of Tokyo Stock Exchange
Securities code	4847
Total number of outstanding shares	26,340,000
Parent company Affiliated company	Dai Nippon Printing Co., Ltd. ODN Solution
URL	<a href="https://www.iwi.co.jp">https://www.iwi.co.jp</a>