

For Immediate Release

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Announcement of Measures for Improving the Information Management Framework and Enhancement of the Governance Framework across the Group

As disclosed by “Announcement of Receipt of the Investigation Report from the Investigation Committee,” dated August 30, 2022, IR Japan Holdings, Ltd. (the “Company”), after having seriously considered the results of the investigation and the recommendations made therein, hereby reports as follows on the progress in the implementation of measures for improving the information management framework, as well as for enhancement of the governance framework within the Group.

We would like to offer our sincere apologies to all concerned for the great deal of inconvenience and trouble associated with the recent event. We shall, together as the Group, be committed to solidly implementing the improvement measures, while continuously monitoring and reviewing their progress, with a view toward improving and reinforcing the information management framework in an effort to enhance the Group’s governance framework.

1. Outline of the Recommendations from the Investigation Committee

An outline of the recommendations from the Investigation Committee is as follows. For further details, please refer to the Investigation Report disclosed on August 30, 2022.

- (1) Recommendations on the framework for information management within the Group
 - 1) Thorough control of access authorization, strict restrictions on the scope of information disclosure, and enhancement of the framework for preventing unauthorized information transfer, as part of the initiative for improving and reinforcing the information management framework
 - 2) Reinforcement of training and education for preventing insider trading
 - 3) Enhancement of the internal reporting (whistleblowing) system

- (2) Recommendations on the framework for the calculation and announcement of the Company’s earnings forecasts
 - 1) Review of the earnings forecasts disclosure method, including adoption of a non-disclosure policy
 - 2) Rectification of discrepancies between internal rules and actual practice
 - 3) Clarification of the process for calculating earnings forecasts and reviewing to determine the need for amendments
 - 4) Aggregation of the information necessary for calculating earnings forecasts and reviewing to determine the need for amendments
 - 5) Measures to ensure the effectiveness of the monitoring and supervisory functions of the Board of Directors

2. Process for Reviewing Improvement Measures

Based on the aforementioned recommendations from the Investigation Committee, the Company has to date, for the purpose of reviewing the improvement measures and enhancing the governance framework, held a total of five Board of Directors meetings, as well as six Audit and Supervisory Committee meetings since August 30, 2022.

Apart from the meetings of the Board of Directors and the Audit and Supervisory Committee, the Company has held five opinion exchange meetings between the independent outside directors* who serve as audit and supervisory committee members and the secretariat of the Company, for the purpose of reviewing and implementing the specific improvement measures. Furthermore, the Company has obtained advice from an external law firm, in reviewing the improvement measures and amending the internal rules.

* All five independent outside directors, comprising three from the Company and two from consolidated subsidiaries, participated in the review process and provided advice at the aforementioned opinion exchange meetings.

3. Progress in the Implementation of the Improvement Measures

The progress that has been made in the implementation of the improvement measures of the Company, based on the aforementioned recommendations of the Investigation Committee is as follows.

(1) Improvement and reinforcement of the framework for information management within the Group

1) Improvement and reinforcement of the information management framework

(i) Thorough control of access authorization

Electronic data is stored in folders that require access permission for each type of use, which are installed in the Group's file servers and cloud storage. We confirmed whether access authorization is offered only to officers and employees who have need for such access, while conducting a detailed examination of access authorization control, including the elimination of access authority for officers and employees who no longer have need for such access, due to transfers to other departments, etc.

We are planning to recruit several information systems personnel by the end of the current fiscal year to appoint and allocate appropriate personnel in this area, in order to ensure the constant and timely exercise of access authorization control. This measure is being undertaken based on the recognition that the delay in responding to access authorization control, in terms of management to reflect the transfer of officers and employees to different departments, was partly due to a staff shortage at the Information Systems Department, which resulted from the large-scale digitalization necessitated by the COVID-19 pandemic, along with our rapid business expansion. Furthermore, we will consider the creation of a database of folder access rights for each officer and employee, as well as a history of access authorization changes at the time of employment, resignation, and transfer.

(ii) Strict restrictions on the scope of information disclosure

We have strictly specified the information that may be shared at various levels of meetings, including the Board of Directors, sales meetings, and morning meetings. For thorough information management, we have disseminated a rigorous system whereby, in particular, at the weekly morning meeting attended by the main officers and sales personnel, no materials containing information concerning the Group's earnings forecasts shall, under any circumstances, be distributed. Furthermore, no report shall be made on specific project developments involving classified information. In addition, under this system, we will continue our current practice of holding all morning meetings in the form of physical rather than remote conferences, while conference materials shall not be distributed, but instead be available for perusal by each attendee in the internal server, with restricted access authorization.

(iii) Enhancement of the framework for preventing unauthorized information transfer

We analyzed the access log of electronic files and servers with highly restricted access authorization, as well as incoming/outgoing e-mail messages, as part of the initiative for preventing the leakage of classified information, including customer information. Meanwhile, all officers and employees were notified that the access log of the e-mail and servers would be monitored on a monthly basis. Going forward, the Group's Internal Audit Office will be engaged in carrying out audits of the access log of the e-mail and servers, with a view toward improving and enhancing the information management framework.

2) Reinforcement of training and education for preventing insider trading

As part of the initiative for preventing insider trading, a review and amendment of the internal rules for preventing insider trading has been carried out, and the results have been notified across the Group. In addition, training on insider trading regulations was carried out for all officers and employees, including outside directors of the Group, which was followed up by a progress test using a checklist to measure the effectiveness of the training, with a view toward further enhancing the understanding of individual attendees. We are planning to organize training on insider trading regulations at least once per year by inviting an external lecturer, in order to ensure that the rules for preventing insider trading are fully understood by all officers and employees, across the Group.

Furthermore, while amendments to internal rules have hitherto involved no more than a basic notification of the fact of such amendment, for amendments that concern important rules in executing business, we will not only provide a notification of the fact of the amendment, but also post a summary of the amendment on the groupware, together with a comparison table of the old and new wording, along with an explanation on the key points of the amendment to officers and employees at morning meetings, as well as thorough instructions through departmental managers.

3) Enhancement of the internal reporting (whistleblowing) system

Internal rules have been clarified to ensure that the anonymity and confidentiality of whistleblowers are protected, and that the act of whistleblowing shall not compromise the standing or career of the whistleblower, with the aim of enhancing the effectiveness of the internal reporting system. Upon receipt of a whistleblowing report, the Company shall investigate the event in question while doing its utmost to protect the whistleblower, and take remedial measures and follow-up actions as appropriate. In the meantime, the Company has decided to establish a point of contact for whistleblowers in the future, which shall be served by an external law firm, in order to ensure whistleblower anonymity and confidentiality. Further, in light of the fact that the internal reporting system has not hitherto been fully utilized, the Company shall display such point of contact on the top screen of the groupware available for viewing by all officers and employees, while organizing training at least once per year for all officers and employees, to ensure that they become fully familiar with the internal reporting system.

(2) Improvement and enhancement of the framework for the calculation and announcement of the Company's earnings forecasts

1) Review of the earnings forecasts disclosure method, including adoption of a non-disclosure policy

The Group shall, for the foreseeable future, make it a rule not to calculate earnings forecasts in the earlier part of each fiscal year in principle, when it is generally difficult to establish a reliable outlook, in terms of both the number of orders received and their size. Meanwhile, in order to review and consider the calculation and announcement of the Group's earnings forecasts during a fiscal year, the Company holds the Group Budget and Performance Review Meeting which is chaired by the General Manager of the Corporate Planning Department, who coordinates Group budgeting, and comprises the heads of the business units at the Group companies and other members, as appropriate

for collecting and integrating the necessary information. This meeting is held in an effort to review and consider a disclosure policy that fits the Company's type and business conditions, based on the earnings trends of the Group, changes in the market environment, and the specific nature of each large-scale project that has received, or is expected to receive an order.

The earnings forecasts for the fiscal year ending March 31, 2023 has yet to be announced, due to difficulties in establishing a reliable outlook in terms of both the number of orders received and their size. However, we will continue to review the disclosure policy at the Group Budget and Performance Review Meeting in order to remain prepared to promptly disclose any discrepancies, if any arise that warrant disclosure, between the actual earnings in the previous fiscal year and the earnings estimate for the current fiscal year.

On a medium- to long-term basis, we will continue to review and consider whether or not we should calculate and disclose earnings forecasts, as well as what calculation method is most appropriate, based on the accumulation of actual earnings data, and the type and business conditions of the Group.

2) Rectification of discrepancies between internal rules and actual practice

The Group Budget and Performance Review Meeting has been established as a body that is tasked to engage in review and consideration of the calculation and disclosure of earnings forecasts, and shall manage the budgeting process and actual results, and review whether amendment is necessary. In line with this, our internal rules have been amended.

The Group Budget and Performance Review Meeting has been established as a conference body that is separate from sales meetings, which are a forum for reports on progress in the development of individual project, centering on the managers who are responsible for sales departments. Thus, sales meetings, where progress in individual sales activity is verified, shall continue to remain in place.

As the General Manager of the Corporate Planning Department, which has hitherto been served on a concurrent basis, giving rise to certain criticisms, an experienced and dedicated key executive (director) who is fully familiar with the business and management of the entire Group has been newly appointed. Meanwhile, we have launched an initiative to actively seek administrative human resources, in an effort to strengthen our organizational structure, not least in the area of administration. This will ensure prompt business execution and flexible responses in the event of irregular events.

3) Clarification of the process for calculating earnings forecasts and reviewing to determine the need for amendments

As mentioned above, the Group Budget and Performance Review Meeting has been established as a body tasked to engage in review and consideration on the calculation and announcement of earnings forecasts, which shall manage the budgeting process and actual results, and review the necessity for amendments. In this regard, the Group Budget and Performance Review Meeting shall prepare minutes along with materials that clarify the specific process of review and consideration, at a level that can withstand retroactive verification at a later date, both of which shall be stored together.

4) Aggregation of the information necessary for calculating earnings forecasts and reviewing to determine the need for amendments

The Group Budget and Performance Review Meeting, which is responsible for calculating earnings forecasts and reviewing to determine the need for amendments, shall consist primarily of the heads of the business units at the Group companies, to ensure aggregation of the information that is necessary for the aforementioned review and consideration.

Meanwhile, the operations manual shall be reviewed, in order to clarify the criteria for registration in the accounting system (OBIC), which shall be thoroughly communicated to all employees engaged in operations. These initiatives will enable the development of a framework in which all of the information necessary to calculate earnings forecasts and to review the necessity for amendments can be aggregated without omission, to the Group Budget and Performance Review Meeting by the heads of the business units.

4. Enhancement of the Governance Framework

In consideration of the great deal of inconvenience and trouble caused to all concerned, not least of all our clients following the recent event, the Group has decided to implement the following measures for systematically driving the decentralization of authority, as a result of deliberation and review on the desirable form of governance with a view toward enhancing the Group's corporate value, which reflect improvement measures based on the recommendations from the aforementioned Investigation Committee, as well as the findings reported by the Nomination and Compensation Advisory Committee.

(1) Change of Executives, etc., of IR Japan Holdings, Ltd.

As mentioned above, a dedicated key executive (director) has been appointed as General Manager of the Corporate Planning Department, which has hitherto been served on a concurrent basis, giving rise to certain criticisms, while the following changes have been made to the executives, etc.

■ Change of Executives, etc., of IR Japan Holdings, Ltd.

| New position | Date of change | Name | Current position |
|---|--------------------|-----------------|---|
| Director and General Manager, Corporate Planning Department | September 27, 2022 | Yutaka Fujiwara | Director and Senior General Manager, Administration Department |
| Senior General Manager, Administration Department and General Manager, Human Resources and General Affairs Department | September 27, 2022 | Yukinori Wakana | General Manager, Human Resources and General Affairs Department |
| (Retirement by resignation) | September 27, 2022 | Atsuko Furuta | Executive Director and General Manager, Corporate Planning Department |

(2) Change of Executives, etc., of IR Japan, Inc.

Shirou Terashita, Representative Director, President and Chief Executive Officer of the Group, has hitherto been serving concurrently as Representative Director, President and Chief Executive Officer of IR Japan, Inc. as well as of Japan Originated Investment Bank, Inc., both of which are subsidiaries of the Company. However, the following changes have been made to the executives, etc., including the Representative Director of IR Japan, Inc., with a view toward clarifying the role of each Group company and ensuring the independence of our main subsidiaries, in consideration of the findings reported by the Nomination and Compensation Advisory Committee of the Company.

With respect to Japan Originated Investment Bank, Inc., the investment banking specialist subsidiary established in February 2021, Shirou Terashita shall continue to serve as its Representative Director and President for the present, until his successor is ready to assume the position, as Japan Originated Investment Bank, Inc. is still in the stage of establishing its presence in the capital market.

■ Change of Executives, etc., of IR Japan, Inc.

| New position | Date of change | Name | Current position |
|---|--------------------|--------------------|--|
| Director | November 1, 2022 | Shirou Terashita* | Representative Director, President and Chief Executive Officer |
| Representative Director and President | November 1, 2022 | Yuichiro Kitamura | Executive Director |
| Director and Executive Vice President | November 1, 2022 | Akinosuke Ishigaki | Executive Director |
| Director and Senior General Manager, Planning Department | September 27, 2022 | Yutaka Fujiwara | Director and Senior General Manager, Administration Department |
| Senior General Manager, Administration Department and General Manager, Human Resources and General Affairs Department | September 27, 2022 | Yukinori Wakana | General Manager, Human Resources and General Affairs Department |
| Senior General Manager, Equity Consulting Department | September 27, 2022 | Takuma Kawanishi | Senior General Manager, Equity Consulting Department I |
| (Retirement by resignation) | September 27, 2022 | Atsuko Furuta | Executive Director, Senior General Manager, Planning Department and Senior General Manager in charge of Equity Consulting Department |

* Shirou Terashita will remain serving as Director up to June 2023 to facilitate smooth transition to the new management regime, and is scheduled to retire as Director of IR Japan, Inc. at the conclusion of the Annual General Meeting of Shareholders to be held in June 2023.

(3) Measures to ensure the effectiveness of the monitoring and supervisory functions of the Board of Directors

The Company shall ensure the effectiveness of the monitoring and supervisory functions of the Board of Directors, by ensuring the allowance of sufficient time for the attendees to review and consider in advance the agendas of the Board of Directors meetings, through measures such as distributing reference materials at least three days prior to the meeting in principle, and providing the attendees with concrete prior explanations where possible, regarding the process of review and rationale for decisions, based on verifiable materials.

The Company shall promptly secure administrative human resources to be in charge of the Board secretariat, in order to assist the Board of Directors in fulfilling its original functions of monitoring and supervision, thereby further strengthening the management structure.

Furthermore, from the current fiscal year, the method for evaluating the effectiveness of the Board of Directors shall be changed from the hitherto practiced questionnaire by a third-party organization, to an interview by a third-party organization.

End of release