

March 30, 2023

For Immediate Release

Company name: IR Japan Holdings, Ltd.
Representative: Shirou Terashita,
Representative Director, President and Chief
Executive Officer
(Securities code: 6035)

Contact: Yutaka Fujiwara,
Director and General Manager, Corporate Planning
Department
(Tel: +81-3-3519-6750)

Announcement of the Group's Conflicts of Interest Management Framework, etc.

As detailed in the "Announcement of Receipt of the Investigation Report from the Third-Party Committee," dated March 7, 2023, IR Japan Holdings, Ltd. (the "Company"), after having seriously considered the results of the Third-Party Committee's investigation and the recommendations made therein, hereby announce as follows regarding the Group's conflicts of interest management framework, etc.

We would like to offer our sincere apologies to all concerned for the great deal of inconvenience and trouble associated with the recent event. The Group will steadily implement recurrence prevention measures, work together to reform corporate governance and corporate culture, and strive to prevent recurrence and restore trust.

1. Process for reviewing recurrence prevention measures

Based on the aforementioned recommendations from the Third-Party Committee, as announced in the "Announcement of the Establishment of a Recurrence Prevention Committee," dated March 13, 2023, the Group has established a "Recurrence Prevention Committee," to swiftly consider and ensure implementation of specific measures to prevent a recurrence. Since March 7, 2023, we have held a total of four Board of Directors meetings, three Audit and Supervisory Committee meetings, and four Recurrence Prevention Committee meetings. Details of deliberations by the Recurrence Prevention Committee are reported to the Audit and Supervisory Committee and the Board of Directors, which includes outside directors. We also receive advice from an external law firm when considering the details of recurrence prevention measures and when establishing or revising internal regulations.

2. Details of recurrence prevention measures and progress in the implementation

The details of the Group's recurrence prevention measures and the implementation progress based on the aforementioned recommendations of the Third-Party Committee are as follows.

(1) Development of conflicts of interest management framework in the PA/FA services

As the needs of the market change dynamically in line with trends in the capital market, trends in institutional investors, regulatory trends in each country, and corporate governance trends in Japanese companies, the Group has expanded its unique PA/FA services as investment banking services. On the other hand, the PA/FA service of the Group, by its very nature, deals with cases in which conflicts of interest between parties become particularly acute, and the Group is required to appropriately manage transactions that may cause conflicts of interest so that clients' interests are not unduly harmed. Based on the recommendations of the Third-Party Committee, the Group has

established the IR Japan Group Conflicts of Interest Management Policy (hereinafter the “IRJ Group Conflicts of Interest Management Policy”), taking into consideration conduct risk and reputation risk, and has published the outline on its website. (<https://www.irjapan.jp/info/pdf/basic-policy.pdf>)

Regarding transactions subject to conflicts of interest management (hereinafter the “subject transactions”), it is necessary to determine whether or not they fall under subject transactions depending on individual specific circumstances. The following transactions will be managed by the Group as types that mainly correspond to subject transactions.

- Transactions that may unfairly harm the interests of one or both of the parties when there is a conflict of interest between the client and the Group or other clients (conflict type)
- Transactions that may unfairly harm the interests of the client when the client and the Group or other clients compete for the same object (competition type)
- Transactions that may unfairly harm the interests of the client as a result of using undisclosed information held by the Company to benefit the Group or specific clients (information use type)

In managing conflicts of interest, the Group has designated the Administration Department of IR Japan, Inc., which is the core of the Group and a financial instruments business operator, as the conflicts of interest management department, and the Director in charge of the Administration Department will supervise the management of the conflicts of interest management framework in general. Under this supervision, we will identify and manage subject transactions, collect and analyze information necessary for identifying or managing subject transactions, periodically verify the management status of subject transactions, and record and store information on measures taken to identify and manage subject transactions.

In addition, based on the IRJ Group Conflicts of Interest Management Policy, we have established and are implementing the Conflicts of Interest Management Regulations, which stipulate criteria and processes for making decisions regarding conflicts of interest risks. When collecting the information necessary to identify or manage subject transactions, to centrally aggregate and share the client contact information and all other information of the Group, we have established a manual for collecting and aggregating client contact information and are working to ensure that all officers and employees of the Group are thoroughly aware of it. In the event of an occurrence of a project that raises concerns about a conflict of interest, the Director in charge of the Administration Department will promptly convene a Conflict Committee chaired by the Director in charge of the Administration Department to consider and determine whether to accept the project or take measures to avoid conflicts of interest. The Conflict Committee will ask the opinions of external experts as appropriate when considering and making decisions, and will conduct sufficient deliberations by convening an extraordinary Board of Directors meeting to carefully consider and make decisions, depending on the severity of the project.

The operation of the IRJ Group Conflicts of Interest Management Policy and Conflicts of Interest Management Regulations shall be monitored by the internal audit department and the full-time audit and supervisory committee members, and, to manage conflicts of interest, we will conduct annual training for officers and employees, including in-house training. In training related to conflicts of interest management, we will strive to improve and foster awareness of conduct among officers and employees. In addition to thoroughly disseminating the operations of the IRJ Group Conflicts of Interest Management Policy and Conflicts of Interest Management Regulations, we will encourage a return to the origins of the Group, such as our corporate mission “to contribute to enhancement of fair capital competitiveness of the clients (the publicly traded companies, investors and market participants) and the growth of the global economy,” as well as our company policy, code of conduct, and others.

(2) Enhancement of governance and risk management frameworks

In the “Announcement of Receipt of the Investigation Report from the Third-Party Committee” dated March 7, 2023, the Company stated that, among the projects from April 1, 2019 to March 6, 2023 that were investigated by the Third-Party Committee, two of the projects were found to be inappropriate conduct that unfairly harmed the interests and trust of clients. The Company took this situation very seriously, and the Audit and Supervisory Committee centering on outside directors and the Board of Directors seriously reviewed these matters and, after appropriate consultation with the Nomination and Compensation Advisory Committee, considered appropriate disciplinary actions against the persons involved. Consequently, the Company resolved to reduce the amount of compensation of directors of the Company and its consolidated subsidiaries as detailed in the “Announcement of Reduction of Director Compensation” dated March 30, 2023.

With respect to the enhancement of the Group’s governance framework, as detailed in the “Announcement of Measures for Improving the Information Management Framework and Enhancement of the Governance Framework across the Group” dated September 27, 2022, the Group has decided to systematically drive the decentralization of authority, with a view toward clarifying the role of each Group company and ensuring the independence of our main subsidiaries. Accordingly, effective November 2022, Yuichiro Kitamura was appointed as the Representative Director and President and Akinosuke Ishigaki was appointed as Director and Executive Vice President of IR Japan, Inc., and the new executive structure is steadily progressing with the transfer of authority. However, to further enhance the check-and-balance function of the Board of Directors as a whole, we will strengthen formal and informal communication between the new executive team of IR Japan, Inc. and outside directors, as well as strengthen supervision to monitor whether there are any other areas where authority is still irrationally concentrated, including areas such as the Group’s governance, organizational structure, rules and regulations, and personnel affairs.

Furthermore, the Company has decided that it needs to enhance the independence and objectivity of the Board of Directors and further strengthen supervision of its business execution, to sustainably develop these initiatives. Therefore, as detailed in the “Announcement of Changes of Directors (Election of Additional Candidate for New Outside Director (Full-time Audit and Supervisory Committee Member))” dated March 30, 2023, the Company has decided to appoint an additional full-time outside director (audit and supervisory committee member) with extensive knowledge of corporate governance and compliance, subject to approval at the Annual General Meeting of Shareholders scheduled to be held in June 2023. The Board of Directors, which will be held after the Annual General Meeting of Shareholders in June 2023, will consist of four out of six directors who are highly independent outside directors (two of whom are full-time audit and supervisory committee members) to strengthen the supervisory and check-and-balance functions and further enhance the Company’s corporate value and management transparency. In addition, concurrent positions held by officers and employees of IR Japan, Inc. at Japan Originated Investment Bank, Inc. will be eliminated, except for those in administrative divisions, and thereby information management will be strengthened.

To promote an enterprise risk management (ERM) framework, we recognize that securing and expanding human resources in the current administrative and internal audit divisions are urgent issues. Accordingly, we will immediately proceed with hiring employees in these divisions as one of our top priorities, and after making appropriate personnel appointments and assignments, we will establish an ERM framework. In addition, in strengthening compliance function, the Company will establish a new Compliance Office and promote the enhancement of its management and supervisory frameworks.

End of release