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Corporate Governance Report

CORPORATE GOVERNANCE

CERES INC.

Last Update: March 31, 2023
CERES INC.

Satoshi Takagi, President and Representative Director

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Securities code: 3696

<https://ceres-inc.jp/csr/English/>

The corporate governance of CERES (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

As a listed company, the Company has set the establishment of a system to maximize corporate value from a long-term perspective as a basic goal of corporate governance, and is enhancing its management and administrative organization to promote "management efficiency" and "strengthen compliance.

The Company belongs to an internet-related industry where the market landscape is changing rapidly. We recognize that one of our most important management tasks is to ensure the mobility, transparency, and soundness of management and to secure the trust of our stakeholders, including shareholders, customers, users, and employees. We are committed to thorough information management and to ensuring that all necessary information is properly managed. We will fulfill our accountability to stakeholders by ensuring thorough information management and disclosing necessary information without delay and in an appropriate manner. In addition, in order to strengthen compliance, we are proactively addressing such issues as enhancement of the internal audit system and improvement of service quality leveraged by strict adherence to rules under the Privacy Mark, and we will continue to take a sincere approach to improving our internal systems.

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

The Company implemented all of the principles of the Corporate Governance Code.

Disclosure Based on the Principles of the Corporate Governance Code

[Principle 1-4: so-called cross shareholding]

With regard to cross shareholding, the Company's basic policy is to hold limited shares after carefully examining the synergies gained from business collaboration and information sharing with target companies. In addition, the Company will appropriately

review its decisions to continue holding shares and reduce the number of stocks of insufficient significance. Regarding the exercise of voting rights related to cross shareholding, the Company determines 1) whether the target company has an appropriate governance system and 2) whether the above synergies will be maximized and our corporate value will increase.

[Principle 1-7: Transactions between related parties]

We require prior approval from the Board of Directors in accordance with the Companies Act and the rules of the Board of Directors when any transaction may be competitive or cause a conflict of interest (between related parties) with our officers or a corporation substantially controlled by our officers.

[Supplementary Principle 2-4-1: Securing diversity in the promotion of core human resources]

As of the end of December 2022, woman employees in our group accounted for 26.9% of our total employees and 43.3% of our management positions. Until now, we have recruited the necessary human resources regardless of gender or nationality. We have also adopted a policy of recruiting capable human resources regardless of gender, nationality or career stage.

Please refer to our website (<https://ceres-inc.jp/csr/English/>) for details of our policy on human resource development and internal environmental improvement, as well as the status of implementation.

[Principle 2-6: Functioning as an asset owner of the corporate pension plan] We have not introduced a corporate pension plan.

[Principle 3-1: Enhancement of information disclosure]

- (1) Our management philosophy is posted on our website (<https://ceres-inc.jp/company/vision/>).
- (2) Our basic philosophy and basic policies on corporate governance are described in "1. Basic Concept" of "I. Basic Concept on Corporate Governance, Capital Structure, Corporate Attributes, and Other Basic Information" in this report as well as in our website (<https://ceres-inc.jp/ir/governance/>) and in the securities report.
- (3) Our policies and procedures for determining director remuneration are described in "II.1. Directors' Remuneration Relations" of this report.
- (4) The selection of director candidates (excluding directors serving as members of the Audit and Supervisory Committee) is decided by the Board of Directors based on the recommendations of the Nomination and Remuneration Advisory Committee and the following standards.
 - 1) Have the knowledge and experience to manage the Company appropriately, fairly and effectively.
 - 2) Have the ability to objectively analyze and judge the business environment.
 - 3) Have a thorough insight into compliance with laws and corporate ethics.

The Company selects candidates for directors from Audit and Supervisory Committee members after obtaining the consent of the Audit and Supervisory Committee. Candidates must possess a high level of expertise and a wide range of knowledge regarding law and finance. They must also be capable of contributing to sound management by conducting audits from an objective and neutral standpoint based on reports from the Nomination and Remuneration Advisory Committee.

Proposals for the dismissal of directors will be decided by the Board of Directors based on the recommendations of the Nomination and Compensation Advisory Committee in the following cases.

- 1) When there is an act contrary to public order and morality

- 2) When health issues make it difficult to continue assigned duties
- 3) When qualifications set forth in the selection criteria are not met

(5) Reasons for the appointment of candidates for outside directors are disclosed in the notice of convocation of the General Meeting of Shareholders.

【Supplementary Principle 3-1-3. Initiatives for Sustainability】

The Company's business philosophy is to "Enrich the world through internet marketing." In our mid-term business plan released on December 23, 2021, we outlined our goal to create a "token economy (alternative currency economy)" built from a point ecosystem and blockchain. We will strive to become a platform that breathes new life into socio economic activities. To meet these goals in the medium to long term, we understand the importance of taking on sustainability related challenges such as addressing global environmental problems (climate change, etc.) and considering employee health as well as employee working conditions. These are important business challenges to overcome that not only reduce risks but also lead to profit opportunities. The Company has established a Sustainability Promotion Committee chaired by the President and it will continue to promote sustainability in a cross-sectoral and flexible manner.

The Sustainability Promotion Committee has selected the following materialities.

[Materiality]

- Contribute to creating a prosperous society through proprietary services
- Contribute to resolving social issues and economic development through open innovation
- Contribute to fair operation of digital advertising and healthy development of the industry
- Provide environmentally-conscious products and services
- Promote diverse workforce
- Ensure information security and privacy
- Reinforce corporate governance

For an analysis of our sustainability efforts and the impact of climate change-related risks and opportunities on our business activities, earnings, please refer to our website (<https://ceres-inc.jp/csr/English/>).

[Supplementary Principle 4-1-1: Scope of management and its summary]

The Company's internal regulations clearly define the authority of the Board of Directors and the management team. In addition to the matters stipulated by law and the Articles of Incorporation, the Board of Directors grants discretionary authority to the executive body in consideration of the size of the amount and the importance of management strategies, thereby ensuring flexibility and speed in the execution of operations.

[Principle 4-9: Independence criteria and qualifications for independent outside directors]

When appointing outside directors, we consider the requirements for outside directors stipulated by the Companies Act and the independence standards stipulated by the Tokyo Stock Exchange in accordance with the following independence criteria.

<Independence Criteria>

We judge that outside directors are independent if they do not fall under any of the following items.

(1) Those involved with the Ceres Group

- Persons who are members of the Ceres Group
- Persons with a family member who has been a director, executive officer, corporate auditor, or senior manager of the Ceres Group in the past five years

(2) Key business partners

Directors, executive officers, and employees of important business partners who have accounted for 3% or more of the consolidated sales of the Ceres Group over the past three years

(3) Professional service providers (lawyers, accountants, tax accountants, judicial scriveners, etc.) who received remuneration of 30 million yen or more from the Ceres Group in the past five years

(4) Others

- Persons from companies that have a member of Ceres on their Board of Directors and have a member of their company on the Ceres Board of Directors.
- Persons with other material conflicts of interest with the Ceres Group

[Supplementary Principle 4-10-1: Mechanism of voluntary committee utilization]

To strengthen the independence, objectivity, and accountability of the Board of Directors with respect to director nominations and remuneration, and to enhance the corporate governance system, we established the Nomination and Remuneration Advisory Committee, in which a majority of members are independent outside directors, as a voluntary advisory body to the Board of Directors. The Nomination and Remuneration Advisory Committee deliberates on the appointment and dismissal of directors, the appointment and dismissal of representative directors (including succession planning), and executive remuneration in accordance with the advice of the Board of Directors. It also reports the contents thereof to the Board of Directors.

[Supplementary Principle 4-11-1: Approach to board balance, diversity and scale]

Our Board of Directors is composed of directors with diverse knowledge, experience and abilities. It includes outside directors with management experience at other companies and deep knowledge of finance, accounting, and legal affairs. The Board of Directors makes decisions on director candidates after deliberation by the Nomination and Remuneration Advisory Committee, in which a majority of members are independent outside directors. The Company prepares a skill matrix that lists the knowledge, experience, and abilities of directors and discloses it in the notice of the general meeting of shareholders.

[Supplementary Principles 4-11-2: Concurrent positions of directors]

Our directors devote sufficient time and effort to their work to properly fulfill their roles and responsibilities. The status of concurrent positions held by important directors is disclosed in the annual securities report.

[Supplementary Principle 4-11-3: Outline of analysis and evaluation of the effectiveness of the Board of Directors]

Our Board of Directors conducts a questionnaire-based evaluation of the effectiveness of each director and established a system for evaluating and analyzing the results. An outline of the assessment results for fiscal 2022 is available on our website

(https://ssl4.eir-parts.net/doc/3696/ir_material4/207305/00.pdf).

[Supplementary Principle 4-14-2: Policy for training directors]

As part of our training for directors, we have a policy of helping newly appointed directors (including outside directors) acquire knowledge about the Company in briefings and business study sessions. We also help deepen directors' understanding of their roles and responsibilities by paying expenses for external education and training to learn the basic knowledge necessary to perform their duties.

[Principle 5-1: Policy on constructive dialogue with shareholders]

We recognize the importance of actively engaging in dialogue with investors, including shareholders, and appropriately reflecting the knowledge gained in management to achieve sustainable growth and increase corporate value over the medium to long term. The President (and CEO) and Administrative Headquarters established an IR system and are actively responding to inquiries from shareholders and having interviews with investors.

2. Capital Structure

Foreign Shareholding Ratio	Less than 10%
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Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
Juno&Co.,Inc	1,180,000	10.36
The Master Trust Bank of Japan ,Ltd. (Trust Account)	1,141,500	10.02
Custody Bank of Japan, Ltd. (Trust Account)	935,000	8.20
Satoshi Takagi	680,500	5.97
Hideaki Takahashi	520,000	4.56
CyberAgent, Inc.	500,000	4.39
Toru Akaura	330,000	2.89
Incubate Capital No.5 Investment Limited Partnership	246,400	2.16
Yasuhiro Kobayashi	230,100	2.02
Tetsuya Nozaki	216,500	1.90

Name of Controlling Shareholder, if applicable (excluding Parent Company)	—
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Name of Parent Company, if applicable	—
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Supplementary Explanation

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3. Corporate Attributes

Listed Stock Exchange and Market Segment	Prime Market
Fiscal Year-End	December
Business Sector	Information & Communication
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	100 or more and fewer than 500
Net Sales (Consolidated) as of the End of the Previous Fiscal Year	¥10 billion or more and less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Fewer than 10

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

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5. Other Special Circumstances which May have Material Impact on Corporate Governance

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

1. Organizational Composition and Operation

Corporate Governance System	Company with Supervisory Committee
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Directors

Number of Directors Stipulated in Articles of Incorporation	No upper limit
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	9
Election of Outside Directors	Elected

Number of Outside Directors	3
Number of Independent Directors	3

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Hitoshi Tada	From another company											
Yoshindo Takahashi	From another company								○			
Masataka Uesugi	Lawyer											

*Categories for "Relationship with the Company".

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

- Person who executes business of the Company or a subsidiary
- Person who executes business or a non-executive director of a parent company
- Person who executes business of a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for such person/entity
- Major client of the Company or a person who executes business for such client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/Audit and Supervisory Board Member compensation from the Company
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to self only)
- Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
- Person who executes business for an entity receiving contributions from the Company (applies to self only)
- Other

Outside Directors' Relationship with the Company (2)

Name	Membership of Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Hitoshi Tada		○	—	Mr. Tada has served as a representative and officer mainly at financial institutions. He has abundant experience and insight in corporate management practices. We have elected him as an Outside Director because we believe that he will utilize his qualifications to strengthen Ceres's management supervision abilities. In addition, because he has no special relationship with Ceres and has no conflicts of

				interest with our management, it has been concluded that he has a high degree of independence and we have designated him as an independent director who is not likely to cause conflicts of interest with general shareholders.
Yoshindo Takahashi	○	○	Mr. Takahashi is an advisor at Executive Partners Inc., which provides management consulting services to Ceres. Still, we have determined that there is no problem in designating him as an independent director since he is not the consultant in charge of Ceres, and the transaction amount is insignificant, so he does not fall under the category of our major business partners.	Mr. Takahashi is appointed as an Outside Director (Audit & Supervisory Committee Member) based on our judgment that he can objectively supervise the relevance of management based on his experience and broad insight, mainly at financial institutions, and utilize his qualifications to strengthen Ceres's auditing abilities. In addition, since he has no conflicts of interest with our Management, it has been judged that he has a high degree of independence and we have designated him as our independent director who is not likely to cause conflicts of interest with general shareholders.
Masataka Uesugi	○	○	—	Mr. Uesugi is appointed as an Outside Director (Audit & Supervisory Committee Member) based on our judgment that he can objectively supervise the relevance of management based on his experience and broad insight, mainly at financial institutions, and utilize his qualifications to strengthen Ceres's auditing abilities. In addition, he has established a law

				firm, but it has no special relationship with Ceres and has no conflicts of interest with its management, so it has been judged that he has a high degree of independence and we have designated him as our independent director who is not likely to cause conflicts of interest with general shareholders.
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Supervisory Committee

Composition of Supervisory Committee and Attributes of the Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Committee Chair
Supervisory Committee	3	1	1	2	Inside Director

Appointment of Directors and/or Staff to Support the Supervisory Committee

Appointed

Matters Concerning Independence of Said Directors and/or Employees from Executive Officers

To assist the duties of the Audit and Supervisory Committee, the Secretariat of the Audit and Supervisory Committee has been established in accordance with the regulations governing the Audit and Supervisory Committee. Employees engaged in internal audits and internal control operations have also been appointed as assistants.

The audit standards of the Audit and Supervisory Committee stipulate the following in order to ensure the independence of such assistants from executive directors, etc.

- The Audit and Supervisory Committee shall endeavor to ensure the independence of assistant employees from the person executing the business.
- The Audit and Supervisory Committee has the right to direct and order assistant employees.
- The Audit and Supervisory Committee has the authority to consent to personnel changes, personnel evaluation, and disciplinary action against assistant employees.

Status of Coordination between Supervisory Committee, Accounting Auditor, and Internal Audit Department

Our accounting audits are conducted by Deloitte Touche Tohmatsu LLC.

The Audit and Supervisory Committee meets regularly with the accounting auditor to receive reports on audit plans and the methods and results of audits, and to exchange opinions as needed to strengthen cooperation.

Internal audits are conducted in accordance with internal audit plans formulated in advance by the devoted internal audit staff.

The results are reported to the President (and CEO) and Board of Directors, and shared with the Audit and Supervisory Committee.

The Audit and Supervisory Committee, accounting auditor and internal auditors also regularly exchange opinions. By strengthening mutual collaboration, we created an environment in which appropriate audits can be conducted.

Voluntary Established Committee(s)

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee	Established
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Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chair (Chairperson)

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

Supplementary Explanation

The Nomination and Compensation Advisory Committee, a voluntary advisory body to the Board of Directors, has been established. The purpose of this committee is to enhance the corporate governance system by strengthening the independence, objectivity, and accountability of the Board of Directors' functions regarding director nominations, compensation, and other matters.

Matters Concerning Independent Directors

Number of Independent Directors	3
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Other Matters Concerning Independent Directors

The Company designates all outside directors as independent directors who fulfill the qualifications of independent directors.

Incentives

Implementation Status of Measures related to	Introduction of Stock Options Scheme / Other
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Incentives Granted to Directors

Supplementary Explanation for Applicable Items

The stock option scheme has been introduced to motivate and boost the morale of the Company's employees to improve its business performance. The Company has also introduced a restricted stock compensation, a medium- to long-term incentive, and a bonus system, a short-term incentive, for the purpose of sustainable improvements in the Company's corporate value and sharing shareholder value.

Persons Eligible for Stock Options

Inside Directors / Employees

Supplementary Explanation for Applicable Items

The purpose of this program is to motivate and boost the morale of the Company's employees to improve the Company's performance.

Director Remuneration

Status of Disclosure of Individual Directors' Remuneration

No Disclosure for any Directors

Supplementary Explanation for Applicable Items

The amount of remuneration for directors for the 18th fiscal year (ending December 31, 2022) is as follows.

Directors (excluding Audit & Supervisory Board Members): 6 persons 196,619 thousand yen (including 1 outside director) (5,700 thousand yen)

Directors (Audit & Supervisory Board Members): 4 persons 14,400 thousand yen (including 4 outside directors) (14,400 thousand yen)

The amount of remuneration above includes the remuneration paid for during the term of office of one Outside Director (Audit & Supervisory Board Member) who retired at the conclusion of the 17th Ordinary General Meeting of Shareholders held on March 23, 2022.

Policy on Determining Remuneration Amounts and the Calculation Methods Thereof

Established

Disclosure of Policy on Determining Remuneration Amounts and the Calculation Methods Thereof

At the Board of Directors meeting held on February 19, 2021, we established the Directors' Remuneration Policy, which includes a policy for determining the details of compensation, etc. for individual directors (excluding Directors who are Audit & Supervisory Committee Members). For Outside Directors, only a basic salary as a form of fixed remuneration is paid in light of their roles and independence. The outline of the policy is as follows.

Directors' remuneration policy

1. Basic policy on directors' remuneration policy

- Decisions shall be made in accordance with the career, work experience, duties, responsibilities, etc. of each Director, taking into consideration Ceres' s business performance and business environment, etc.
- Directors shall increase their motivation to continuously improve business performance over the medium to long-term in order to meet the expectations of shareholders, and to contribute to the improved value of the entire Group.
- Aim for competitive compensation levels in order to secure diverse and talented staff who can put our corporate philosophy into practice.
- Objectivity and transparency shall be ensured not only for the remuneration system for Directors but also for individual remuneration for each Director through deliberation and supervision of the Nomination and Compensation Advisory Committee, a voluntary advisory body which is composed of a majority of Outside Directors.

2. Basic structure of directors' remuneration

From the perspective of maintaining and improving corporate governance and putting basic policies into practice, remuneration for Ceres's Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) consists of three types: (1) basic salary as fixed remuneration, (2) bonuses as short-term incentive remuneration, and (3) stock remuneration (pre-delivery type restricted stock) as medium- to long-term incentive remuneration. The ratio, etc. shall correspond to the position of the Director. Remuneration for Outside Directors shall be limited to basic salaries, which is a kind of fixed remuneration, in light of their expected roles.

3. Policy for determining the amount of each type of remuneration, etc.

(1) Basic remuneration (Fixed remuneration)

Decisions shall be based on comprehensive consideration of the position, full-time or part-time status, career, past salary and remuneration levels, areas of responsibility and duties, and remuneration levels in the same industry, etc.

(2) Bonuses

In light of the nature of short-term incentive remuneration and commonality with the interests of shareholders, the amount of basic remuneration for each director shall be determined according to the achievement status of the amount of consolidated net income (meaning net income attributable to shareholders of the parent company as shown in the consolidated statements of income, hereafter referred to as "consolidated net income"), which is resolved by the Board of Directors and announced around February each year as a performance forecast, taking into consideration the position of each director (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors), the amount of basic remuneration for the applicable fiscal year, his/her contribution in the relevant fiscal year, the performance and growth rate of the business division in charge, and other factors.

(3) Stock remuneration (Pre-delivery type restricted stock)

In addition to providing incentives for the sustainable improvement of Ceres's corporate value, monetary claims are paid as remuneration to grant restricted stock for the purpose of further sharing value with shareholders.

The total amount of such stock remuneration shall be determined on the assumption that it does not exceed 20,000 shares and 200,000 thousand yen per year, taking into consideration the amount of consolidated net income of the group for the applicable

fiscal year. In addition, the number of stock compensation grants for each individual and the amount of monetary claims to be paid for such grants shall be determined in consideration of the basic remuneration amount for eligible Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors. Hereinafter referred to as "eligible Directors") for the applicable fiscal year, the contribution of each eligible Director during the fiscal year, the performance and growth rate of the business department in charge, and trends in the price of Ceres's common stock.

4. Process of determining directors' remuneration, etc.

The amount of basic remuneration and bonuses among the directors' remuneration (excluding Directors who are Audit & Supervisory Committee Members) shall be determined individually by the President and Representative Director, who is delegated by the Board of Directors, after mutual evaluation of individual Directors, deliberation and formulation of draft proposals by the Nomination and Remuneration Advisory Committee, and determination of the total amount of each remuneration at the Board of Directors. With regard to stock remuneration (pre-delivery type restricted stock), the amount and the number of shares to be granted to each individual shall be determined by the Board of Directors after deliberation and formulation of a draft proposal by the Nomination and Remuneration Advisory Committee.

Support System for Outside Directors

Support for outside directors is provided by the Corporate Planning Office. Specifically, when a meeting of the Board of Directors is to be held, the Office provides advance explanations of the agenda. When necessary, information is shared via e-mail or telephone, as appropriate.

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

(1) Board of Directors

Our Board of Directors consists of nine directors (three of whom are outside directors), including three directors who are members of the Audit and Supervisory Committee as of the date of the filing of this report. In addition to the regular monthly meeting of the Board of Directors, extraordinary meetings are held as necessary. The Board of Directors makes important management decisions based on discussions at management meetings and supervises the execution of business by each director.

The members of our Board of Directors are as follows.

Chairman: President and Representative Director Satoshi Takagi; Members : Senior Executive Vice President Tetsuya Nozaki, Managing Director Yasuhiro Kobayashi, Director Yusuke Shiga, Director Norimitsu Yoshida, Outside Director Hitoshi Tada, Director (Full-time Audit and Supervisory Committee Member) Kana Chitose, Outside Directors (Audit and Supervisory Committee Members) Yoshindo Takahashi, and Masataka Uesugi

(2) Audit and Supervisory Committee

The Audit and Supervisory Committee is composed of three directors (including two outside directors) as of the date of this report. In addition to the regular meeting of Audit and Supervisory Committee, which meets monthly, extraordinary meetings are held as necessary. Directors serving as members of the Audit and Supervisory Committee conduct efficient and reasonable

supervision while coordinating opinions with the internal auditor and accounting auditor.

The members of our Audit and Supervisory Committee are as follows. Chairman: Director (Full-time Audit and Supervisory Committee Member) Kana Chitose; Members: Outside Directors (Audit and Supervisory Committee Members) Yoshindo Takahashi and Masataka Uesugi

(3) Nomination and Remuneration Advisory Committee

The Company has established the Nomination and Remuneration Advisory Committee as a voluntary advisory body to the Board of Directors, with a majority of its members being independent outside directors.

The purpose of the Nomination and Remuneration Advisory Committee is to enhance the corporate governance system by strengthening the independence, objectivity, and accountability of the Board of Directors' functions related to the nomination and compensation of directors. The Committee discusses the following matters in consultation with the Board of Directors and provides reports to the Board of Directors regarding the outcomes of these discussions.

- (1) Draft proposal for the general meeting of shareholders regarding the appointment and dismissal of directors
- (2) Draft proposal for the appointment and dismissal of Representative directors and executive directors with specific titles
- (3) Other matters deemed necessary by the Board of Directors regarding the appointment and dismissal of directors, the appointment and dismissal of representative directors and executive directors with specific titles
- (4) Draft proposal for the general meeting of shareholders regarding remuneration for directors, etc.
- (5) Draft policy for determining the details of cash remuneration and non-cash remuneration for individual directors (excluding Directors who are Audit & Supervisory Committee Members)
- (6) Other matters deemed necessary by the Board of Directors regarding remuneration for directors, etc. The members of the Ceres Nomination and Compensation Advisory Committee are as follows. Chairman: Satoshi Takagi, President and Representative Director; Committee Members: Hitoshi Tada, Outside Director; Yoshindo Takahashi, Outside Director (Audit & Supervisory Committee Member)

(4) Management Meeting

The Company holds a management meeting once a week, chaired by Satoshi Takagi, President and Representative Director. In principle, the meeting is attended by full-time directors and the responsible persons of each department. The management meeting examines business plans and business performance and makes decisions on important business matters in accordance with the rules of Administrative Authority and Management Meeting. The status of each division's execution of operations is reported, and while sharing information, sufficient discussion is held.

(5) Risk Management Committee

Based on the risk management rules, the Risk Management Committee, chaired by the director in charge of the Administrative Headquarters, oversees risk management. The Risk Management Committee analyzes and evaluates risks in our group, continuously monitors perceived risks, and regularly reports to the board of directors on the status of activities. In the event of a risk that may have a significant impact on management, the Risk Management Committee considers countermeasures and makes recommendations to the Board of Directors. In the event of an emergency, the Risk Management Committee establishes a system

for promptly communicating information and giving directions.

The Risk Management Committee also serves as the body responsible for overseeing compliance as set forth in the compliance rules. The committee formulates, develops, and checks the status of compliance measures and policies to minimize the risk of damage to the Company.

The members of our Risk Management Committee are as follows.

Chairman: Managing Director Yasuhiro Kobayashi; Members: Director (Full-time Audit and Supervisory Committee Member) Kana Chitose, Outside Director (Audit and Supervisory Committee Member) Masataka Uesugi, and the head of the corporate planning office

(6) Sustainability Promotion Committee

The Company recognizes that addressing global environmental issues such as climate change, employee health and work environment, and other sustainability-related issues is an important management priority that not only reduces risk but also leads to profit-earning opportunities. The Company has established a Sustainability Promotion Committee, chaired by Satoshi Takagi, President and Representative Director, for the purpose of responding to these issues in a more cross-functional and flexible manner.

Committee Chair: Satoshi Takagi, President and Representative Director

Committee member: Tetsuya Nozaki, Vice President and Director

Yasuhiro Kobayashi, Managing Director

Yusuke Shiga, Norimitsu Yoshida, Director

3 Executive Officers

1 Representative Director of Major Subsidiary

3. Reasons for Adoption of Current Corporate Governance System

At the General Meeting of Shareholders held on March 24, 2021, a resolution was approved to amend the Company's Articles of Incorporation in order to transition to a company with an Audit & Supervisory Committee. Accordingly, the Company effectively transitioned from a company with a board of corporate auditors to a company with an Audit & Supervisory Committee, starting from the same date.

The purpose of this transition is to strengthen the auditing and supervisory functions of the Board of Directors by allowing directors who are Audit & Supervisory Committee members to have voting rights at Board of Directors meetings. At the same time, this transition is intended to further enhance the corporate governance system and promote a sustainable increase in the corporate value of the Company's group.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanation
Early Posting of Notice of the General Shareholders Meeting	The Company strives to send the convocation notice as early as possible. Moreover, before dispatching the convocation notice, the Company discloses

	the information on TDnet and publishes it on the Company's website.
Scheduling of the General Shareholders Meeting During Non-Peak Days	Due to the fiscal year ending in December, the General Meeting of Shareholders is held on a date separate from the consolidated date.
Electronic Exercise of Voting Rights	A system for executing voting rights through the Internet has been in place since 2019.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	The Company has Participated in the Electronic Exercised of Voting Platform for institutional and other investors since 2022.
Provision of Notice (or Summary of Notice) of the General Shareholders Meeting in English	To facilitate overseas investors in exercising their voting rights effectively, the Company has prepared a concise English version of the Notice of Convocation for the General Meeting of Shareholders. This English version is disclosed on TDnet and posted on the Company's website.
Other	At the Annual General Meeting of Shareholders, the Company uses video footage and narration to report on its operations to help shareholders better understand the results of operations and the status of its businesses

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Regular Investor Briefings held for Analysts and Institutional Investors	the Company holds semiannual earnings results briefings for analysts and institutional investors at the announcement of its full-year and second-quarter financial results. The President and Representative Director explains the earnings results and management strategy.	Held
Online Disclosure of IR Information	The Company's IR materials are posted on its website.	
Establishment of Department and/or Placement of a Manager in Charge of IR	IR group is in the Administration Division. Person responsible for handling information: Yasuhiro Kobayashi	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Implementation of Environmental Preservation Activities and CSR Activities, etc.	Based on our management philosophy of "Enrich the world through internet marketing", the Company has been promoting contributions to environmental measures, such as tree-planting activities in Inner Mongolia, China since 2009.

	The Company has achieved carbon neutrality by offsetting 100% of our CO2 emissions from electricity usage as part of our commitment to realizing a decarbonized society since January 2021. Additionally, the Company is a member of the “Japan Climate Leaders' Partnership” and have joined the “100% Renewable Energy Pledge, RE Action”.
Formulation of Policies, etc. on Provision of Information to Stakeholders	The Company acknowledges the significance of delivering timely and relevant corporate information to its stakeholders. It is our policy to disseminate information through our website and company briefings as deemed appropriate.
Other	In order to promote the success of female employees, the Company has been actively working towards creating a supportive and inclusive workplace environment that enables women to achieve a harmonious work-life balance, especially with regards to child-rearing responsibilities. The Company has observed a rise in the number of requests for maternity and childcare leave. It is developing a system that supports working women by integrating feedback from individuals with firsthand experience in childbirth and childcare.

IV. Matters Concerning the Internal Control System

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

The Company's Board of Directors has established the "Basic Policy for Establishment of Internal Control System" and based on this policy, the Company has established a system for the effective functioning of the internal control system. The outline of the policy is as follows.

[Basic policy for establishment an internal control system]

- (1) System to Ensure that the Execution of Duties by Directors and Employees Complies with Laws, Regulations, and the Articles of Incorporation

We will set forth the management philosophy, risk management rules, compliance rules, and other rules concerning the compliance system as standards for our directors and employees to follow in compliance with laws, regulations, and social norms. In addition, the Board of Directors shall endeavor to establish an internal control system and a system for legal compliance by us and our subsidiaries to ensure the execution of business by us and our subsidiaries is carried out properly.

- (2) System to maintain and manage information relating to directors in the execution of their duties

The storage and management of information relating to the execution of duties by directors shall be kept in an appropriate manner and for an appropriate period of time in accordance with the document management rules and shall be maintained in a condition that can be accessed by directors.

- (3) Regulations for managing risks of loss and relevant internal systems

The Risk Management Committee, chaired by the director in charge of the Administrative Headquarters, shall supervise the risk management of the Company and its subsidiaries in accordance with the risk management rules. The Risk Management Committee analyzes and evaluates risks to us and our subsidiaries, continuously monitors perceived risks, and regularly reports to the Board of Directors on the status of activities. In addition, in the event of a risk that may have a significant impact on management, the Risk Management Committee shall consider countermeasures and make recommendations to the Board of Directors. In the event of an emergency, the Risk Management Committee shall establish a system for promptly communicating information and giving directions.

(4) System for ensuring efficient execution of directors' duties

Regular meetings of the Board of Directors shall be held every month, and extraordinary meetings of the Board of Directors shall be held as necessary to make important management decisions and supervise the execution of business by the directors. In addition, management meetings composed of executive directors and division general managers are held weekly to conduct preliminary deliberations on matters to be discussed by the Board of Directors. In addition, matters to be decided by the Board of Directors are communicated to each division, and the status of business execution by each executive director and division general manager is monitored.

(5) System ensuring that the operations of the Company and its subsidiaries are adequate

The internal auditors, who report directly to the President and Representative Director, shall, in accordance with the rules for internal audits, audit the status of business execution by employees of the Company and its subsidiaries and ensure the appropriateness of business operations.

The Board of Directors shall dispatch our officers and employees as directors of subsidiaries to establish a group governance system.

In addition, based on the rules governing the management of affiliated companies, the Corporate Planning Office, which is mainly supervising the subsidiaries, shall develop a system for receiving reports on important management matters from subsidiaries.

(6) Matters concerning employees requested by the Audit and Supervisory Committee to assist in their duties

The Audit and Supervisory Committee may request necessary assistance for audit operations from an employee in charge of internal audits or the Administrative Headquarters. When assisting the duties of the Audit and Supervisory Committee, said employees shall comply with the instructions and orders of the Audit and Supervisory Committee and shall not be directed by the directors. In addition, the Audit and Supervisory Committee shall conduct personnel evaluations of the said employees (limited to those related to audit assistance operations) and the approval of the Audit and Supervisory Committee shall be required for personnel changes.

(7) System for directors (excluding directors who are Audit and Supervisory Committee Members), employees of the Company, as well as directors, auditors, and employees of subsidiaries to report to the Audit and Supervisory Committee

Directors (excluding directors who are Audit and Supervisory Committee Members), auditors, and employees of the Company and its subsidiaries shall promptly and appropriately report to the Audit and Supervisory Committee or directors who are Audit and Supervisory Committee Members not only statutory matters, but also matters that may have a material impact on the Group,

the status of the implementation of internal audits, and other matters.

The Audit and Supervisory Committee may, whenever it deems necessary, request reports from the directors (excluding directors who are Audit and Supervisory Committee Members), auditors, and employees of the Company and its subsidiaries.

(8) System ensuring that persons who make reports as set forth in the preceding item are not treated disadvantageously as a result

The Company stipulates protection of whistleblowers in the rules for internal reporting and prohibits directors, auditors, and employees of the Company and its subsidiaries from giving unfavorable treatment on the grounds of the report set forth in the preceding paragraph.

(9) System ensuring that audits by the Audit and Supervisory Committee are conducted effectively

Directors who are Audit and Supervisory Committee members may attend meetings of the Board of Directors and other important meetings as necessary to grasp the process of important decision-making and the status of business execution of the Company, and may inspect documents related to business execution and request explanations from executive directors and important employees. In addition, the Audit and Supervisory Committee may utilize experts such as attorneys at law and tax accountants if necessary for conducting audits, and the Company shall bear the costs thereof. If a director who is an Audit and Supervisory Committee Member requests advance payment of expenses with regard to the execution of his/her duties, we shall promptly respond except in cases where it can be proved that the expenses, etc. pertaining to such a request are not necessary for the execution of the duties of the director who is an Audit and Supervisory Committee Member.

(10) System ensuring the appropriateness and reliability of financial reporting by the corporate group consisting of us and our subsidiaries

To ensure the appropriateness and reliability of financial reporting, necessary systems shall be established at the Administrative Headquarters, the effective functioning of control over operational processes pertaining to financial reporting shall be regularly assessed, and any deficiencies shall be corrected as necessary. The process and results of the evaluation and the state of improvement shall be supervised by the Board of Directors.

(11) Basic approach to elimination of anti-social forces and its system

We and our subsidiaries shall always maintain an awareness of risk management and take a resolute stance as an organization against antisocial forces that pose a threat to social order and safety. In responding to anti-social forces, we will cooperate with external specialist organizations, such as police-related organizations and attorneys, to collect information, and the entire organization will respond to ensure the safety of employees.

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

Our basic stance and progress toward eliminating anti-social forces are as described in (11) Basic Concepts Toward the Elimination of Anti-Social Forces and its Structure, 1. Basic Concepts Concerning Internal Control Systems and the Status of Development of the Internal Control System, IV Matters related to internal control system, etc.

V. Other

1. Adoption of Anti-Takeover Measures

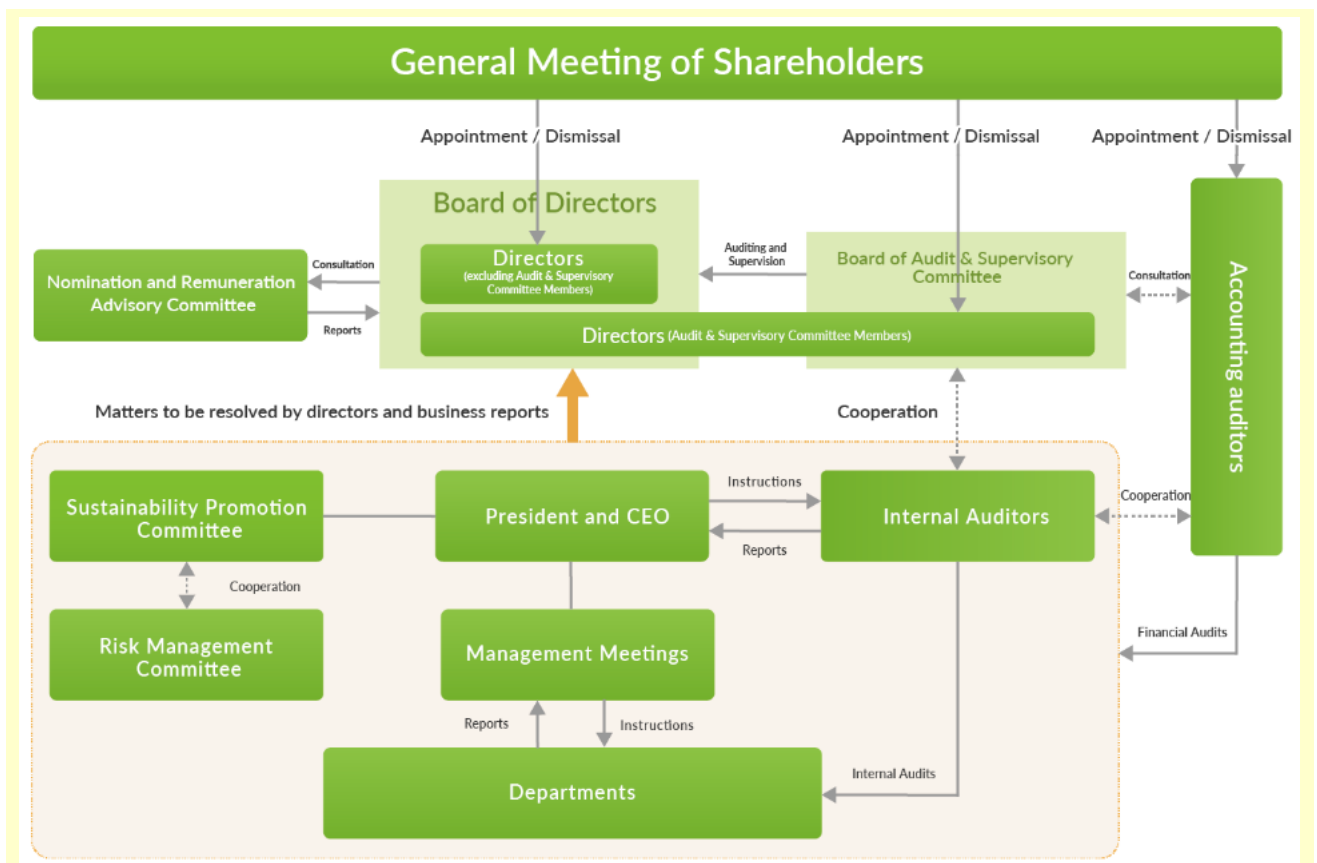
Adoption of Anti-Takeover Measures

Not Adopted

Supplementary Explanation for Applicable Items

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2. Other Matters Concerning the Corporate Governance System



END