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ZIGExN Co., Ltd.
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The following is a report on the state of corporate governance at ZIGExN Co., Ltd. (the “Company”).

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

1. Basic Views

The Company has established Vision, Management Philosophy, and Purpose as the corporate principles to be shared with each executive or employee for the Code of Conduct.

The Company aims to materialize the Company’s sustainable growth and improve its medium- to long-term corporate value for the Corporate Philosophy and Purpose. The Company seeks to enhance the corporate value through corporate governance established by the Company providing right and quick decision-making to management and both highly transparent management and monitoring functions to meet the expectations of all of its stakeholders, including its shareholders.

<Basic Principle>

ZIGExN aims at maximizing opportunities in life and seeks harmony and sustainable development with society by providing a platform to connect to the world through the internet.

<Management Principle>

OVER the DIMENSION!

Overturning the world's common assumptions and values through creating services and a company with overwhelming advantages.

<Purpose> Our reason to exist

Update Your Story:

Updating the future of everyone at the crossroads of life.

【Reasons for Non-compliance with Each Principle of the Corporate Governance Code】

【General Principles 2.6 Roles of Corporate Pension Funds as Asset Owners】

Currently, the Company does not have any plan such as a defined-benefit pension plan, but the Company is considering installing a defined-benefit pension plan and hiring the operator as a part of welfare.

【Supplementary Principal 3.1.3 Disclosure under TCFD】

The Company currently does not make any disclosures under the TCFD because the Company considers the impact of climate change on its business to be limited. However, we view addressing climate change issues as an important initiative for stable economic development and securing the foundations of people's lives. We will continue to collect and analyze the necessary data and actively consider the information that should be disclosed.

【Supplementary Principal 4.1.3 Successor Upbringing】

The Company has no health concerns with its CEO, has no immediate considerations for a replacement, and has not made any clear succession plan. However, the Company is focusing on upbringing current members of the Board of Directors and Operating Officers to work as successors or representatives through instructions by the CEO or Outside Members of the Board of Directors, expanding their roles and responsibilities, or any other educational or training programs.

**【Supplementary Principal 4.8 Independent Outside Member of the Board of Directors】and
【Supplementary Principal 4.10.1 Leveraging Optional Systems】**

At the general shareholder's meeting held on June 2023, two (2) Independent Outside Members of the Board of Directors have been appointed. In terms of the composition ratio of the Board of Directors, independent Outside Members of the Board of Directors are not the majority but when three (3) Outside Audit and Supervisory Board Members are included, the total participants outside members for the Board of Directors meeting are the majority and it leads to keep the independence. Independent Outside Members of the Board of Directors provide frank proposals and advice within the Board of Directors. The Company, as a principal, obtains the understanding of the Independent Outside Member of the Board of Directors in the board resolutions and determines that even without the establishment of independent committees, our structure enables independent external directors to fulfill their roles and responsibilities adequately.

【Disclosure Based on the Principles of the Corporate Governance Code】

Updated

【Principle 1-4 Cross-Shareholdings】

The company, in principle, does not plan on holding cross-shareholding. However, in cases where it can be determined that it contributes to the improvement of the company's business value, the company may strategically hold shares of target companies after discussing with the Board of Directors whether the benefits outweigh the capital cost.

Furthermore, even after the acquisition, the board of directors will annually review the appropriateness of the holding objectives, the benefits and risks associated with the holdings in relation to the capital cost, and if necessary, make appropriate sales in accordance with the importance of the held shares.

When exercising voting rights, the company will comprehensively consider whether it aligns with the company's holding policy and contributes to the sound management and enhancement of the corporate value of the issuing company. Based on this assessment, the company will make a judgment of approval or disapproval.

【Principle 1-7 Related Party Transaction】

When the Company engages in a transaction with its member of the Board of Directors, Audit and Supervisory Board members or major shareholders (i.e., related party transactions), the Board of Directors' meeting approves the transactions through the appropriate process under the Companies Act, related laws and the Company's rule. Moreover, to monitor the transaction, the Company surveys to understand the situation once every year and builds the management system for the related party.

【Principle 2-4 Workplace Diversity, inclusion women's participation】

The Company's Group supports promoting women's participation and workplace diversity, utilizing the wide range of unique traits, such as race, gender, age, employment circumstance, various attributes, sense of values, or varying ideas, possessed by our employees since there are subsidiaries in not only Japan but also the Socialist Republic of Vietnam, Malaysia, the kingdom of Cambodia, the Republic of Kenya and the Republic of Zambia.

Regarding employee development, the Company considers grooming new leaders and individuals' growth to be important and promotes young talented employees in a higher position and the CEO directly conducts management training for managerial employees himself. To accelerate individual growth speed, the Company conducts performance reviews for all employees on their ability and the results every quarter. To encourage various workstyles, the Company conducts flexible work arrangements including remote work, the short-time work hour system, and the paid-hour system, and keeps expanding other various systems.

Regarding the situation of keeping diversity, as of the end of March 2023, the ratio of women in the workforce is approximately 39.4% (with a management position ratio of around 11.2%), non-Japanese employees are approximately 0.9% (with a management position ratio of 0%), and mid-career hires stands at approximately 83.8% (with a management position ratio of 87.1%). In the company, as promoted in our media platform "OVERS" (<https://overs.zigexn.co.jp/>), we value individuals who can share our values, regardless of gender, nationality, or mid-career recruitment. On top of that, we actively conduct recruitment activities that prioritize diversity, recognizing its importance. Moreover, we have developed a plan to achieve a female management ratio of 20% by the end of March 2025.

【Principle 3-1 Enhancement of Disclosure on Information】

(i) The Company Philosophy, Management Strategy and Management Plan

The Company establishes the Vision and the Company Philosophy stipulated in "1. Basic Views" of "Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Basic Information" as above. The Company set forth and published dated as of 14th May 2021, the second mid-term management plan, "Z CORE", for five (5) years up to March 2026.

■the 2nd Mid-Term Management Plan, "Z CORE"

https://zigexn.co.jp/ir/management_plan/

(ii) Basic Views and Policy on Corporate Governance

The Company's basic views on corporate governance are described in "1. Basic Views" as above.

(iii) The Policy and Process of fixing remuneration for members of the Board of Directors and Audit and Supervisory Board members.

It is as stipulated below in "Remuneration for Member of the Board of Director ②Whether there is an implemented Policy of the Amount of Remuneration or its methods".

(iv) and (v) Policy and Procedures for Appointing Top-Level Executives and Nominating Candidates for Members of Board of Directors and Audit Supervisory Board Members and Explanation with Respect to Individual Appointments and Nominations.

Regarding the policy decisions, procedures, and the reason for candidates of members of the Board of Directors and Audit and Supervisory Board members, it is stipulated in "2. Related the functions of Execution of Business, Audits & Monitoring, Appointments and fixing Remuneration (the Summary of Current Corporate Governance System) "of "II. Current Situation of Management Decision Making, Organizational Management Structure for Execution and Monitoring and Other Corporate Governance System" as below and also regarding the reason of candidates of members of the Board of Directors, it is stipulated in the notice of convocation of the general meeting of shareholders.

Moreover, the Board of Directors meeting appoints an employee as the operating officer who leads to continuously expanding reproductions and also is qualified as a good role model for employees and as the candidate of the executive.

【Principle 3.1.3 Working on for Sustainability】

Since the Company was founded, The Company aimed to "Maximizing Opportunities in Life" and seeks harmony

and sustainable development with society by providing a platform to connect people, information, and companies through the internet. The Company publishes the actions for sustainability, “ZIGExN’s Materiality”, on the Company’s official website.

<https://zigexn.co.jp/sustainability/>

Our investment strategy has been disclosed in the Integrated Report 'ZIGExN REPORT 2022' (https://zigexn.co.jp/ir/integrated_report/) which was released in August 2022. Our strategy regarding investment in human capital is individually listed in the section titled ‘Human resource strategy integrated with management strategy’. Regarding investment in intellectual property, various intellectual property rights arise in connection with the websites we operate and the systems we use to operate our services. Because the main issue in M&A will be whether these rights belong to us or can be used by us without restrictions, it is included within the investment strategy mentioned in the Integrated Report, specifically under the section of "Expansion and Reproduction Spiral through M&A" and other investment strategies.

The status of disclosure in accordance with TCFD is stated in the section titled "Reasons for Non-Implementation of Each Principle of the Corporate Governance Code" in our report.

【Supplementary Principal 4.1.1 Authorization of the Board of Director’s Meeting and Scope of Authority to the Management】

The Board of Directors determines important executions and operations of the Company pursuant to related laws and the Company’s rules and also monitors the execution and operation by executive directors and operating officers. Moreover, the Board of Directors Meeting has established a Business Execution Committee to increase the management vitality by enhanced mobility and flexibility

— “Business Management Meeting”

Constituents: Operating officers, including full-time members of the Board of Directors, Business Officers of each business and subsidiaries, and full-time outside Audit and Supervisory Board members

Purpose: To report the progress of the management plan and to share and discuss the Company Group’s business strategy

— “Investment Management Meeting”

Constituents: Operating officers, including full-time members of the Board of Directors, Candidates for the Business Officers of investment business, and full-time outside Audit and Supervisory Board members

Purpose: To make investment decisions by sharing the report of due diligence and valuation with respect to Mergers and Acquisitions and others.

【Principle 4-9 Criteria for Independence of Independent Outside Member of the Board of Directors and the Quality】

The Company set forth criteria for independence of Independent Outside Member of the Board of Directors stipulated in “2. Items related to Organizational Structure and Organizational Management 【related to independent directors】 “ of “II Organizational Management Structure for Management Decision Making, Executions and Monitoring and other Corporate Governance System” and, for the selection of the Company’s Independent Outside Member of the Board of Directors, the Company considers it is very important for a person to be sufficiently qualified to take part in the Board of Director meeting.

【Supplementary Principal 4.11.1 Policy and Process of the Selection of Members of the Board of Directors with a skills matrix】

The Company discloses the skills matrixes of each member of the Board of Directors on presentation materials for the financial results briefing and the Integrated Report and appoints a person who has management experience at other companies as an Outside member of the Board of Directors. Outside Independent members of the Board of Directors assist members of the Board of Directors meeting to make appropriate decisions and also support strengthening the corporate governance by advocating their ideas with respect to a resolution or deliberation on the Board of Directors meeting based on their varieties of viewpoints, extensive knowledge, deep insights, and noble personalities.

【Supplementary Principal 4.11.2 Disclosure of the Status of Director’s Concurrent Positions】

The current status of members of the Board of Directors and Audit and Supervisory Board members is as described in "[Directors]: Relationship to the Company (2)" and "[Audit and Supervisory Board members]: Relationship to the Company (2)" of section “II Management Administration Organization Related to Decision-Making, Business Execution, and Oversight in Management and Other Corporate Governance Systems”

【Supplementary Principal 4.11.3 Board of Directors’ Meeting Effectiveness Assessment】

As of June 2023, the Company analyzed and assessed the whole Board of Directors with respect to operations and agenda of all meetings of the Board of Directors for the last one (1) year based on the surveys of all members of the Board of Directors and of the Board of Audit and Supervisory members against “the Structure of the Board of Director’s meeting”, “the Board of Directors’ Meeting Operation ” and “the Effectiveness of the Board Meeting” and others including the status of internal audit and supporting the Board Secretariat.

The Company enhances the Board of Directors’ Meeting effectiveness by continuously improving concerned items from the survey result, such as more sufficient and productive discussions about “supervision in succession plan”, “Training for executives, etc.”. The Company continues to analyze and assess the overall effectiveness of the Board of Directors Meetings periodically.

【Supplementary Principle 4.14.2. Training of Directors】

To enhance wholesome corporate value, the Company provides opportunities for new directors to understand more deeply the Company’s business and its details, and also for members of the Board of Directors and Audit and Supervisory members and Operating Officers to acquire necessary knowledge such as corporate governance, internal controls, compliance, and others upon individual demands, although basically, each member keeps learning necessary knowledge by himself/herself to take a role and responsibility for each position.

【Principle 5.1. Policy for Constructive Dialogues with Shareholders】

The Company strives to grow and enhance opportunities for dialogues with shareholders through the following activities.

(i) Appointment of Directors/Operating officers in charge of constructive dialogues with shareholders

To carry out constructive dialogues with investors to contribute to sustainable corporate growth and enhance corporate values in the medium- to long-term as much as possible within a limited time, mainly it is the Company’s Representative Directors, Operating Officer, and CEO, and members of Board of Directors who strive to provide many opportunities for the dialogues. Moreover, in a general meeting of shareholders, the Representative Director, who is the chairman of the meeting, determines who is the respondent against a question from a shareholder. Respondents are the Representative Director or a member of the Board of Directors and Operating Officers but, considered as reasonable by the Representative Director, a respondent could be the Outside member of the Board of Directors or Outside Audit and Supervisory members.

(ii) Method of organic communications among internal sections, assisting dialogues.

The Corporate Management Division is in charge of investor relations (IR) in the Company and on an as-needed basis, corporates with the Corporate Strategy Division, other business departments, and subsidiaries.

(iii) Designing dialogue methods beyond individual meetings

The Company implements IR activities through not only general meetings of shareholders and individual meetings, but also quarterly financial results briefings, small-scale briefings what we call “SMALL MEETING”, teleconferences with overseas investors, briefings for individual investors, and participation in conferences organized by securities firms. The Company strives to implement more IR activities from long-

term and various points of view based on addressing shareholder concerns.

(iv) Methods of Right and Effective Feedback and Concerns through dialogues from shareholders to top-level executives and the Board of Directors.

The Company reports feedback and concerns provided by shareholders and investors through daily inquiries, financial result briefings, or individual meetings to the top-level executives including outside members of the Board of Directors and Outside Audit and Supervisory members.

(v) Control Methods of Insider Information through Dialogues

To prevent leakage of financial results and ensure fairness, the Company has established a quiet period as the Company refrains from answering any questions or commenting on financial results. The Company also strives to let all employees, without fail, understand how to handle insider information through all company meetings

【Addressing the realization of management with awareness of cost of capital and stock prices】

The company, under the long-term policy of maximizing the primary source of corporate value, which is free cash flow, has set performance targets for the fiscal year ending in March 2026, aiming for revenue exceeding 35 billion yen and EBITDA surpassing 10 billion yen. From the perspective of cost of capital, the company is actively utilizing borrowings from financial institutions within a range that does not significantly compromise safety, aiming to optimize the capital structure. By enjoying the financial leverage effects such as tax benefits from liabilities and improvement in ROE, we are working towards reducing the WACC. Additionally, we have set a fundamental policy that the upper limit for share buybacks in the following period will be the amount derived by deducting strategic investment and total dividends from the attributable net income to the parent company's owners. This approach is geared towards improving capital efficiency and returning value to shareholders.

Furthermore, the company has implemented measures to enhance incentives for the directors and employees, such as issuing performance target-linked stock options (paid-in stock options). These initiatives aim to boost corporate value through stock price appreciation. In consideration of the influence of foreign institutional investors in achieving appropriate stock price formation and aspects such as fair disclosure, we are actively promoting the expansion of English disclosures, simultaneous Japanese-English disclosures, and organizing events for individual and institutional investors. These efforts are aimed at ensuring diversity among shareholders.

2. Capital structure

Percentage of Shares held by Foreign Investors	10% or more but less than 20%
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[Major Shareholders]

Name	Number of shares held(shares)	Ownership ratio (%)
Jogen Co., Ltd	48,900,500	47.01
The Master Trust Bank of Japan, Ltd. (trust account)	7,414,700	7.12
Joe Hirao	5,054,000	4.85
Custody Bank of Japan, Ltd. (trust account)	4,075,500	3.91
BBH FOR FIDELITY LOW-PRICED STOCKFUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	3,483,901	3.34
SSBTC CLIENT OMNIBUS ACCOUNT	1,366,030	1.31
CLEARSTREAM BANKING S.A.	1,316,627	1.26
SBI SECURITIES Co.,Ltd.	1,161,511	1.11
Hiroyuki Yoshioka	983,000	0.94
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	750,000	0.72

Existence of Controlling Shareholders (excluding parent company)	-----
Existence of Parent company	None

Supplementary explanation

1. The above information about the percentage of shares held by foreign investors and Description of Major Shareholders has been set forth dated as of March 31, 2023. In Addition to the above, the Company owns 7,698,090 of its shares (6.89%) as treasury stock.

2. According to the amended report of the major shareholdings published on May 11, 2022, Fidelity Investments Limited indicated that FMR LLC owned 5,691,285 shares (for an ownership ratio of 5.10%) as of April 29, 2022. However, the Company was unable to verify the effective number of shares held since as of the end of this fiscal year and therefore, they are not included under Major Shareholders above.

3. Corporate attributes

Listed stock market and market section	Tokyo (Prime)
Fiscal year ends	March
Type of business	Information and telecommunications
Number of employees (consolidated) as of the end of the previous fiscal year	1000 or more
Sales (consolidated) as of the end of the previous fiscal year	10 billion or more but less than 100 billion yen
Number of consolidated subsidiaries as of the end of the previous fiscal year	10 or more but less than 50

4. . Guidelines on policies for the protection of minority shareholders in cases such as transactions with controlling shareholders

5. Other specific conditions that could have significant impacts on corporate governance

II. Management Administration Organization for Management Decision Making, Executions and Monitoring and Other Corporate Governance Systems

1. Organization structures and organizational operations

Organizational form	Company with Audit and Supervisory Board members
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【Members of the Board of Directors】

Limited Number of Members of the Board of Directors pursuant to the Articles of Incorporation	None
Term of Members of the Board of Directors pursuant to the Articles of Incorporation	1 year

Chairperson of the Board of Directors	President
Number of members of the Board of Directors	5 persons
Election or Non Election of Outside Members of the Board of Directors	Elected
Number of Outside Members of the Board of Directors	2 persons
Number of Outside Members of the Board of Directors appointed as the Independent Directors	2 persons

Relations to the Company (1)

Name	Affiliation	Relationship to the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Yasuo Usuba	From another company											
Jun Sakaki	From another company											

* Selected the relevant “Relationship with the Company”

* ○: indicates the relevant item that the person falls under as of “today or recently”; △: indicates the relevant item that the person falls under as of “previously”.

* ●: indicates the relevant item that the person’s close family member falls under as of “today or recently”; ▲: indicates the relevant item that the person’s close family member falls under as of “previously”.

- A management executive officer of the listed company or its subsidiaries
- A management executive officer or non-management executive director of a parent company of the listed company
- A management executive officer of an affiliated company of the listed company
- A person who has a significant business relationship with the listed company or who is a management executive officer of an entity which has such a significant business relationship
- A person with whom the listed company has a significant business relationship or who is a management executive officer of an entity with whom the listed company has a significant business relationship
- A consultant, accounting specialist, or legal specialist who receives significant remuneration or other assets from the listed company other than remuneration as a director or executive officer
- Principal shareholder of the listed company (if a principal shareholder is a legal entity, a management executive officer of such legal entity)
- A management executive office of an entity with whom the listed company has a business relationship (not fall under d and e), (only with respect to the person)
- A management executive officer of a company whose outside director assumes the post on a reciprocal basis with the listed company (only with respect to the person)
- A management executive officer of an entity to whom the listed company makes a donation (only with respect to the person)
- Other

Relations to the Company (2)

Name	Independent member of the Board of Directors	Supplementary Information concerning applicable item	Reason for appointment
Yasuo Usuba	○	Mr. Usuba is not applicable to all of the above. The status of any concurrent holding of important positions pursuant to the Company Act and the Ordinance for Enforcement of the Companies	Mr. Usuba has possessed a wealth of experience with respect to management strategy, marketing, and sales activity through his work experience. To suggest and advise the Company’s management and its decision-making, he has been

		Act is as below. •LocationMind Inc. COO	appointed as an Outside member of the Board of Directors since June 2021. The Company submitted and notified him as an independent member of the Board of Directors to the Tokyo Stock Exchange.
Jun Sakaki	○	Mr. Sakaki is not applicable to all of the above. The status of any concurrent holding of important positions pursuant to the Company Act and the Ordinance for Enforcement of the Companies Act is as below. •Ikyu Corporation President and CEO •Yahoo Japan Corporation EVP, Corporate Officer	Mr. Sakaki has possessed a wealth of experience with respect to management and operation by continuously expanding and driving the main business for Ikyu Corporation. To suggest and advise the Company's management and its decision-making, he has been appointed as an Outside member of the Board of Directors since June 2022. The Company submitted and notified him as an independent member of the Board of Directors to the Tokyo Stock Exchange.

The Existence of Optional Committee corresponding to the Nominating Committee or Remuneration Committee	N/A
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【Audit and Supervisory Board members】

Established the Board of Audit and Supervisory	Yes
Limited Number of Audit and Supervisory Board members pursuant to the Articles of Incorporation	None
Number of Audit and Supervisory Board Members	3 Persons

State of cooperation among Audit and Supervisory Board members, the accounting auditor, and the internal auditing section

The Company's accounting audits are conducted by Deloitte Touche Tohmatsu LLC.

Each member of the Audit and Supervisory Board carries out an audit based on the audit plans and attends the Board of Directors meeting to audit executions and operations by directors from the legal point and adequacy point of view. In addition, to understand the situations of the Business Executive Committee, Audit, and Supervisory Board members, they also hold meetings periodically with the Representative Director to exchange ideas and discuss concerns and important matters.

Full-time members of the Audit and Supervisory Board attend Business Management Meetings held every other week and Investment Management Meetings held when performing mergers and acquisitions in addition to the Board of Directors meetings, and also visit to audit important subsidiaries.

Audit and Supervisory Board seeks accountability, when necessary, in accordance with reports of execution status from directors, operating officers, managers, subsidiaries' directors, or Internal Audit Unit.

In principle, the Audit and Supervisory Board meets once a month to exchange ideas about the Company's operation and discuss or make a resolution about audit policies, audit plans, and any important matters related to audit. Moreover, the Audit and Supervisory Board monitors and verifies whether the Accounting Auditors, as the independent positions, carry out proper audits and seek accountability in accordance with the report about its execution status from the Accounting Auditors.

Election or Non-Election of Outside Members of the Board of Directors	Elected
Number of Outside Audit and Supervisory Board members	3 Persons
Established number of Independent Audit & Supervisory Board Members within the Outside Audit and Supervisory Board Members	2 Persons

Relations to the Company (1)

Name	Attribution	Relationship to the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Mari Yajima	From another company													
Takashi Miyazaki	Attorney-at-law													
Kengo Wada	Chartered Accountant													

* Selected the relevant “Relationship with the Company”

* ○: indicates the relevant item that the person falls under as of “today or recently”; △: indicates the relevant item that the person falls under as of “previously”.

* ●: indicates the relevant item that the person’s close family member falls under as of “today or recently”.; ▲: indicates the relevant item that the person’s close family member falls under as of “previously”.

- a. A management executive office of the listed company or its subsidiaries
- b. A non-management executive director or accounting advisor of the listed company or its subsidiary
- c. A management executive officer or non-management executive director of a parent company of the listed company
- d. An Audit & Supervisory Board Member of a parent company of the listed company
- e. A management executive officer of an affiliated company of the listed company
- f. A person who has a significant business relationship with the listed company or who is a management executive officer of an entity which has such a significant business relationship
- g. A person with whom the listed company has a significant business relationship or who is a management executive officer of the entity with whom the listed company has a significant business relationship
- h. A consultant, accounting specialist, or legal specialist who receives significant remuneration or other assets from the listed company other than remuneration as a director or executive officer
- i. Principal shareholder of the listed company (if a principal shareholder is a legal entity, a management executive officer of such legal entity)
- j. A management executive office of an entity with whom the listed company has a business relationship (not fall under d and e), (only with respect to the person)
- k. A management executive officer of a company whose outside director assumes the post on a reciprocal basis with the listed company (only with respect to the person)
- l. A management executive officer of an entity to whom the listed company makes a donation (only with respect to the person)
- m. Other

Relations to the Company (2)

Name	Independent Member of Audit & Supervisory Board	Supplementary Information concerning applicable item	Reasons for Appointment
Mari Yajima	Yes	<p>Ms.Yajima is not applicable to all of the above.</p> <p>The status of any concurrent holding of important positions pursuant to the Company Act and the Ordinance for Enforcement of the Companies Act is as below.</p> <ul style="list-style-type: none"> · Audit and Supervisory Board member of REJOB Co., Ltd. · Audit and Supervisory Board member of Awesome Agent Co., Ltd. · Audit and Supervisory Board member of Apple World Inc. · Audit and Supervisory Board member of TSD INC. · Audit and Supervisory Board member of Sanko Ad Co., Ltd. · Audit and Supervisory Board member of NIZIGExN Co., Ltd. 	<p>As a certified public accountant, Ms. Yajima has experience in audit work at an auditing corporation as well as internal audit work at an insurance company.</p> <p>To be audited from her extensive knowledge and practical experience, and to assure an audit from an independent position, she has been appointed as the Outside Audit and Supervisory Board member since June 2023.</p> <p>The Company submitted and notified her as an independent member of the Board of Directors to the Tokyo Stock Exchange.</p>

Takashi Miyazaki		<p>Mr. Miyazaki is not applicable to all of the above</p> <p>The status of any concurrent holding of important positions pursuant to the Company Act and the Ordinance for Enforcement of the Companies Act is as below</p> <ul style="list-style-type: none"> • Partner in the law office of Nagashima Ohno & Tsunematsu 	<p>Mr. Miyazaki has possessed a high level of expertise in the legal profession as an attorney-at-law. To be audited from his extensive knowledge and practical experience, and to assure an audit from an independent position, he has been appointed as the Outside Audit and Supervisory Board member since June 2016.</p>
Kengo Wada	Yes	<p>Mr. Wada is not applicable to all of the above</p> <p>The status of any concurrent holding of important positions pursuant to the Company Act and the Ordinance for Enforcement of the Companies Act is as below</p> <ul style="list-style-type: none"> • Representative Director of AIPartners, Inc. • Representative Director of AIPartners Tax Accountancy Office • Outside Audit and Supervisory Board member of Alue Co., Ltd. • Outside Audit and Supervisory Board member of Cloud Ace Co., Ltd. 	<p>Mr. Wada has possessed a high level of expertise in the accounting profession as a chartered accountant. To be audited from his extensive knowledge and practical experience, and to assure an audit from an independent position, he has been appointed as the Outside Audit and Supervisory Board Member since June 2017.</p> <p>The Company submitted and notified him as an independent member of the Board of Directors to the Tokyo Stock Exchange.</p>

Number of independent officers	4 Persons
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Other matters concerning independent officers

To ensure the independence of the Company's outside directors and outside Audit and Supervisory Board members, the Company has established the following Independence Criteria for Outside Officers with reference to "Securing Independent Officers" (Article 436-2 of the Securities Listing Regulations) and the "Guidelines on Management of Listing" established by the Tokyo Stock Exchange, the Japan Association of Corporate Directors' "Criteria for the selection of Independent Directors Under Board of Directors Regulations," and other materials. The Company chooses outside directors and outside Audit and Supervisory Board members in accordance with these Independence Criteria for Outside Officers.

Independence Criteria for Outside Officers

To ensure its management oversight functions and transparency, ZIGExN Co., Ltd. (hereinafter "Company") considers it desirable for outside directors and outside Audit and Supervisory Board members (including candidates for outside directors and outside Audit and Supervisory Board members; hereinafter referred to collectively as "outside officers") to possess at least a certain degree of independence. In addition to establishing the following independence criteria and satisfying the independence criteria specified by the Tokyo Stock Exchange, the Company considers outside officers who meet any of the following descriptions not to possess sufficient independence from the Company.

1. Those serving currently, or who have served within the past 10 years in the posts of executive directors, operating officers, managing officers, or similar posts or of employees (hereinafter referred to collectively as "persons executing business") with the Company or a consolidated subsidiary of the Company (hereinafter referred to collectively as the "Group")
2. Those who currently meet, or have met within the past five years, any of the following descriptions:
 - (1) Major shareholders with investment stakes of at least 10% in the Company, or persons executing the business thereof
 - (2) Major trading partners of the Company, or persons executing the business thereof
A major trading partner is considered to be one for which the value of its transactions with the Company during a single fiscal year is more than 2% of the Group's consolidated gross sales or the gross sales of the trading partner.
 - (3) Major lenders to the Company, or persons executing the business thereof
A major lender is considered to be one for which the balance of its loans to the Company at the end of a single fiscal year is more than 2% of the Group's consolidated gross assets or the gross assets of the lender financial institution.
 - (4) Consultants, accounting specialists, or legal specialists receiving large sums of money or other property from the Company, other than executive compensation
Large sums of money or other property refer to the following cases:
 - (i) If the specialist provides services as an individual, an average annual value of transactions with the Company of more than 10 million yen per year over the past three years
 - (ii) An average annual value of transactions with the Company by the corporation, association, or other entity of which a specialist is a person executing the business of more than 2% of that organization's gross sales over the past three fiscal years
 - (5) A recipient or the person executing the business of a recipient organization of a large amount of donations from the Company
A large amount of donations is considered to be more than 10 million yen per year on average over the past three fiscal years.
 - (6) If a person executing the business of the Company is appointed an outside officer of another company, a person executing the business of that company
3. A spouse or relative within two degrees of consanguinity of any person named under 1 and 2 above (not including minor cases)
A person in a minor case who qualifies as a person executing business under 2 above is considered to be in the

position of an employee not directly involved in the provision of services to the Company.

[Incentives]

Status of implementation of measures related to providing incentives to directors

Not implemented

Supplemental explanation of this item

In September 2012, the Company awarded stock options to some executive directors, outside directors, and employees of the Company. While the company has not adopted any performance-linked remuneration program or stock options program as incentives for directors that would meet the descriptions under [Principle 4.2. Roles and Responsibilities of the Board (2)], it does issue paid-in stock options to further strengthen management's commitment to increasing enterprise value over the long term.

Persons eligible for issue of stock options

Supplemental explanation of this item

[Director Remuneration]

Status of disclosure (of remuneration of individual directors)

Individual remuneration is not disclosed.

Supplemental explanation of this item

The Company discloses total amounts of remuneration for members of the Board of Directors, Audit and Supervisory members and outside members, including Outside Member of the Board of Directors and Outside Audit and Supervisory members, on the latest securities report.

■the Latest Securities Report

https://zigexn.co.jp/ir/financial_reports/

Whether there is an implemented Policy of fixing Amount of Remuneration or its methods

Yes

Details of disclosure of policies of fixing the amount of remuneration or its methods

The members of the Board of Directors except Outside member of the Board of Directors has been assigned to positions and job grade levels against his/her responsibilities as well as other employees. As the policy of fixing amounts of remuneration, the amount of remuneration for members of the Board of Directors except its outside members, shall be discussed and fixed at the Board of Directors not only in consideration of the remuneration standards against positions, job grade levels and involvement of business but also from comprehensive standpoints with management responsibilities as a director, corporate achievements and business conditions. The Representative Director is in charge of making-decisions for plans of fixing amount of remuneration and deliberations of the Board of Directors in respect to those plans are conducted twice, as the one is for the

advance notice and the other is for the resolution.

For Outside member of the Board of Directors, the amount of remuneration is fixed, which is subject to deliberation and resolved by the Board of Directors from comprehensive standpoints with management responsibilities as a director, corporate achievements and business conditions. For Audit and Supervisory Board members, because of the importance of their independence and objectivity, each amount of remuneration is fixed through discussions among Audit and Supervisory Board members in consideration of full-time or part-time hours.

The total amount of remuneration for directors at the company, as of the resolution of the shareholders' meeting on June 25, 2013, is within 100 million yen annually, based on that resolution. Additionally, the total amount of remuneration for auditors is within 50 million yen annually, as per the resolution of our company's shareholders' meeting on June 28, 2018.

[Supporting structures for outside directors (outside Audit and Supervisory Board members)]

To facilitate the smooth performance of business duties by Outside members of the Board of Directors, before the Board of Directors, the Corporate Management Division and the Corporate Strategy Division build some schemes such as sharing necessary information, scheduling, providing proposals and explanations if needed. For Outside Audit and Supervisory Board members and Audit and Supervisory Board, The Corporate Management Division and the Corporate Strategy Division support and a person in charge may be fixed in accordance with opinions by Audit and Supervisory Board members.

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

The Company has established the Board of Directors and Audit and Supervisory Boards as the legal requirements which consists of members of the Board of Directors and/or Audit and Supervisory elected at the Shareholder's meeting. In addition to these legal requirements, the Company has established the Compliance Committee, the Harassment Prevention Committee, and the Internal Audit Unit for corporate governance strengths. Moreover, in the Business Executive Committee, the Company has established the system of Operating Officers who are in charge of specified field.

1. Corporate Governance System

<Board of Directors>

The Company has established the Board of Directors as the entity for decision-making on important matters and the entity for supervisions and the Chairperson is Mr. Joe Hirao, the Representative Director, Operating Officer, and CEO. The Board of Directors supervises the Business Executive Committee including the Representative Director and other Executive Directors. As of the submission date, the Board of Directors consists of three (3) Members of the Board of Directors and two (2) Outside Members of the Board of Directors. As per the Policy and Process of the election of directors, the Board of Directors elects a person as the director who shows their abilities to contribute to the enhancement of corporate values, not only in consideration of his/her quality and insights but also in consideration of the entire balance of the Board of Directors in terms of knowledge, experiences, and abilities and also keeping both of diversities and the optimum size, regardless of gender and ages. For flexible business activities, any decisions, not required by a resolution of the Board of Directors, could be made by Executive Directors, Operating Officers, or Operating Managers of each business based on the rules of administrative authority.

<Audit and Supervisory Board>

The Company has established the Audit and Supervisory Board as supervision functions of management and the Chairman is Ms. Mari Yajima, a full-time outside member of the Audit and Supervisory Board. Audit and Supervisory Board Members attend the Board of Directors and other important meetings to supervise functions of management and business executions. As of the submission date, the Audit and Supervisory Board consists of one (1) full-time auditor and two (2) part-time auditors and all of them are Outside Audit and Supervisory Board members.

As the policy and the process of election, Audit and Supervisory Board members are elected not only in consideration of his/her quality and insights but also in consideration of the entire balance for Audit and Supervisory Board in terms of a wealth of practical experience in private companies or professional knowledge such as chartered accountant, attorney-at-law or regulatory administrator, regardless of gender and ages.

Mr. Miyazaki, the auditor, is a certified attorney-at-law, and Ms. Yajima, and Mr. Wada, the auditor, are certified

as chartered accountants.

<The Compliance Committee and the Harassment Prevention Committee>

To promote compliance with employees, monitor illegal activities, and prevent harassment, the Compliance Committee and the Harassment Prevention Committee have been established consisting of Mr. Joe Hirao, the Representative Director, Operating Officer, and CEO, Ms. Sachiko Hatano, the member of the Board of Directors, Mr. Shinji Sato, the member of Board of Directors, Internal Audit Unit and the Legal Department with the Audit and Supervisory Board Members, Ms. Mari Yajima and Mr. Takashi Miyazaki, as the observers.

Both committees, under the direct control of the Board of Directors, promote compliance and harassment prevention and provide necessary training programs.

<Internal Audit Unit>

In the Company, a dedicated staff member of the Internal Audit Unit, controlled directly by the Representative Director and independent from the Business Executive Committee, carries out an internal audit of the Company and consolidated subsidiaries to conduct audits for the prospective law and suitability. Moreover, for more efficient and effective audits, the Audit and Supervisory Board work together with the Accounting Auditors, what we call “a three-way audit system”. The audit results are reported and communicated to the Board of Directors, the Representative Director, and the audited departments. In case improvements are required as a result of audits, the Internal Audit Unit seeks the improvement and asks to update the status of improvements to the department.

The Company has established other internal entities related to Business Executions and Governance as below.

—”Business Management Meeting”

Constituents: Operating officers, including full-time members of the Board of Directors, Business Officers of each business and subsidiaries, and full-time outside Audit and Supervisory Board members

Purpose: To report the progress of the management plan and to share and discuss the Company Group’s business strategy

—”Investment Management Meeting”

Constituents: Operating officers, including full-time members of the Board of Directors, Business Officer Candidates of the Invested Business, and full-time outside Audit and Supervisory Board members

Purpose: To make investment decisions by sharing the report of due diligence and valuation with respect to Mergers and Acquisitions and others.

<the Status of Accounting Auditor>

The Company made an Auditor Agreement with Deloitte Touche Tohmatsu LLC and, has gotten the accounting audits pursuant to related laws as well as the main subsidiaries. The Company confirms there is no particular relationship such as interested parties between the Company and Deloitte Touche Tohmatsu LLC.

2. Limited Liability Agreements

The Company made a Limited Liability Agreement with each of Mr. Yasuo Usuba (the Board of Directors), Mr. Jun Sakaki (the Board of Directors), Ms. Mari Yajima (the Auditor), Mr. Takashi Miyazaki (the Auditor), and Mr. Kengo Wada (the Auditor).

- When bearing responsibilities for any loss or damages because of failure to perform duties without serious negligence and in good faith, the liability is limited to the minimum liability amount specified in Article 425, Paragraph 1 of the Companies Act.

- When the term of a member of the Board of Directors who is not an outside member of the Auditor and Supervisory Board or Operating Director, ends with the expiry of the term and the member of the Board of Directors is elected and appointed as the Director rather than an Internal Auditor and Supervisory Board member or an Executive Director, above limited liability shall be continued.

3. Reasons for the selection of current corporate governance systems

The Company judges that a structure in which the number of outside officers, including outside directors and outside Audit and Supervisory Board members, exceeds the number of executive directors and in which outside directors and outside Audit and Supervisory Board members cooperate with each other can help to rectify and correct errors, inadequacies, and any recklessness with regard to business execution.

In recognition of the fact that the functioning of both direct oversight of business execution by outside directors and oversight from a more independent perspective by Audit and Supervisory Board members who are not involved in business decisions can contribute to securing the soundness and efficiency of management, the Company has adopted its current corporate governance systems based on its status as a company with an Audit and Supervisory Board in which it appoints outside directors and has established an independent Audit and Supervisory Board.

III Implementations of measures for shareholders and other stakeholders

1. Approach towards the vitalization of General Shareholders' Meeting and the facilitation exercise of voting rights

	Supplemental explanation
Early distribution of notice of convocation of General Shareholders' Meeting	<p>To have enough time to consider about the proposals for the shareholders, the Company strives to distribute notice of convocation of the General Shareholders' meeting at the earliest by the establishment of a corporate system to prepare for convocation notice at the earliest.</p> <p>For the General Meeting of Shareholders held in June 2023, we started to provide the Notice of Convocation of the General Meeting of Shareholders electronically on our website on June 2.</p>
Scheduling of General Shareholders' Meeting avoiding the date on which General Shareholders' Meeting of companies are concentrated	<p>The company recognizes that the shareholders' general meeting is a forum for constructive dialogue with shareholders. To ensure the participation of as many shareholders as possible, the company makes efforts to consider the administrative schedule and venue availability when setting the date, aiming to avoid concentrated dates.</p> <p>The Company convenes a General Shareholders' Meeting in the afternoon, avoiding the time on which General Shareholders' Meetings of companies are most concentrated.</p>
Exercise of voting rights by electronic means	<p>The Company has enabled shareholders to exercise voting rights on the Internet since the General Shareholders' meeting was held in June 2021.</p>
Measures aimed at participation in electronic voting platforms and other improvements in voting environments geared towards institutional investors.	<p>The electronic voting platform has been available for institutional investors since the General Shareholders' meeting was held in June 2022.</p>
Provision of summary English-language convocation notices	<p>English-language convocation notices and internet disclosure information have been available on its company website as below since the General Shareholders' meeting was held in June 2022.</p> <p>https://zigexn.co.jp/en/ir/stockholders_meeting/</p>

2. Status of IR activities

	Supplemental explanation	Personal explanation by the Representative Director?
Preparation and publication of disclosure policies	<p>The Company has established a disclosure policy, which is available on its website at the following URL.</p> <ul style="list-style-type: none"> ■ Disclosure policy https://zigexn.co.jp/ir/disclosure_policy/ 	
Holding periodic briefings for individual investors	<p>In the fiscal year ended March 2023, we held online briefings five times and are posting the content of these briefings on the Company website for a while.</p>	Yes
Holding periodic briefings for analysts and institutional investors	<p>The Company holds quarterly online briefings by the Representative Directors, Operating Officer, and CEO and directors or operating officers for sell-side analysts and institutional investors. We strive to post materials from these briefings, along with videos of the briefings and the content of questions and answers in the briefings, on the Company website on time.</p>	Yes
Holding periodic briefings for overseas investors	<p>Although Periodic briefings for overseas investors are not held, the Company convenes meetings for Investor Relations with overseas investors. As of the Fiscal Year 3/2023, the Company holds opportunities for dialogues via online meetings or teleconferences when overseas investors request. Scripts and Q&A, translated in English, of briefings with individual and/or institutional investors, are available on its company website as below.</p> <p>Briefings for individual investors in English</p> <ul style="list-style-type: none"> ■ https://zigexn.co.jp/en/ir/results_briefing/ 	No
Posting IR information to the website	<p>The Company posts information on financial results, information other than financial results subject to timely disclosure, securities report or quarterly reports, materials on briefings on financial results, information on the state of corporate governance, convening notices of general meetings of shareholders, integrated reports, and other information for shareholders on its website.</p> <ul style="list-style-type: none"> ■ IR site: https://zigexn.co.jp/ir/ 	
Appointment of a section (person) in charge of IR	<p>The Company's section in charge of IR is the Corporate Management Division.</p> <p>The section in charge: Corporate Management Division Person responsible: Executive Director Sachiko Hatano</p>	

3. Status of initiatives related to respecting the positions of stakeholders

	Supplemental information
Environmental protection and CSR activities	<p>The Company considers that value creation with stakeholders is important for supporting sustainable corporate growth.</p> <p>The Sustainability Promotion Department has been newly established since April 2021 and addressed important concerns with setting priorities.</p> <p>The Company strives not only to enhance corporate values but also to contribute continuously to society with approaching concerns through the last dialogues with the various stakeholders reached by starting dialogues with shareholders, users, employees, business relationship partners, and local communities.</p> <p>Please refer to the below website for further details about the policy of sustainability and sustainability activities</p> <p>■ZIGExN's Sustainability https://zigexn.co.jp/sustainability/</p>
Stakeholder Communication Policy	<p>The Company considers it important to provide information appropriately to stakeholders and provides information via the Company's website or company briefings.</p>

IV Matters related to internal control systems

1. Basic thinking on internal control systems and the status of their development

Through a resolution of the Board of Directors, the Company has established its Fundamental Policy on Development of Internal Controls Systems to ensure the propriety of business operations. We will strive to establish internal controls systems to implement concretely the provisions of this policy, centered on staff responsible for internal controls and Audit and Supervisory Board members, while also reviewing periodically rules related to controls, such as the Job Authority Regulations and the Internal Whistleblowing Regulations.

(1) Structures for ensuring that the execution of duties of directors and employees of the Company and Company subsidiaries conforms to laws, regulations, and the articles of association.

1. Group directors and employees act with high levels of ethics by conforming to laws, regulations, and articles of association. Directors take the initiative to set a good example for others and ensure thorough awareness through repeated communication of information.
2. Each Company subsidiary develops systems similar to those of the Company to ensure that its directors and employees execute their duties in conformity with laws, regulations, and the articles of association by reflecting matters related to their size and businesses.
3. To maintain and promote compliance in the Group, the Compliance Committee has been established and meets regularly as a subsidiary organization to the Board of Directors chaired by the Representative Directors, Operating Officer, and CEO. The chairperson of this committee oversees the Basic Principle and the introduction of systems on compliance and manages as the person responsible for implementing compliance, policy deployment, plan management, system adoption, training, evaluation, everyday management, and crisis management.
4. An internal whistleblowing system has been established as a contact point to respond to compliance-related reports from those employed in the Company's businesses. This is intended to enable appropriate management and swiftly identify any violations of laws and regulations or suspicions thereof. In addition, Company subsidiaries maintain appropriate internal whistleblowing systems in light of their size, the laws and regulations of the countries in which they operate, and other considerations.
5. Antisocial forces and organizations counter to public order or posing threats to sound business activities are responded to systematically through a resolute approach in cooperation with the police, attorneys, and other authorities.
6. Audit and Supervisory Board members audit the execution of duties of directors, including the state of development and operation of internal controls systems, from independent standpoints.
7. To ensure that the execution of business conforms to laws, regulations, and the articles of association, the section in charge of internal auditing implements internal auditing of the Company and its subsidiaries.

8. The section in charge of internal auditing audits the state of development and operation of internal control systems and reports to the Representative Directors, Operating Officer, and CEO concerning the propriety of business operations and the efficacy of related systems. It also issues instructions and proposals concerning improvement measures to maintain and improve internal control systems.

(2) Systems for ensuring that the duties of directors of the Company and its subsidiaries are performed efficiently

1. The Board of Directors meets once a month, in principle, to decide swiftly on important matters concerning management based on applicable laws and regulations, principles of management decision-making, and the duty of care of a good manager. As appropriate, directors report on the state of execution of duties.
2. The Company requires subsidiaries to report periodically to it on their business results, financial standing, and other important information. In addition, meetings are held among directors and others from the Company and its subsidiaries, in principle, every other week to work toward the efficient achievement of management and business objectives by reporting on the progress of management plans and sharing strategies.
3. Authority and responsibilities related to business execution are made clear.
4. To ensure effective business management by directors, in-house rules are maintained and the authority and responsibilities of each position and basic business frameworks are made clear.

(3) Structures for retention and management of information concerning the execution of Company directors' duties

1. Documents (including relevant electromagnetic records) of important meetings, such as the minutes of the general meetings of shareholders, meetings of the Board of Directors, and other meetings, and important documents on the applications for approval, contracts, and various forms are retained and managed appropriately in accordance with the Information Management Regulations.
2. A structure is in place for appropriate disclosure of information concerning the execution of Company directors' duties to those who need to know them for purposes of performing their duties.

(4) Rules and other structures related to the management of the risk of losses by the Company and its subsidiaries

1. Risk Management Regulations are established to manage risks to the Company and the Group as a whole. In the event of any large-scale accidents, disasters, or scandals, the Company or the affected subsidiary will set up a disaster task force chaired by the representative director and with a membership consisting of the necessary personnel and implement other appropriate responses.
2. Regulations on Division of Responsibilities and Job Authority Regulations are established and systems are in place for business management to achieve an appropriate risk management structure by directors and employees carrying out business operations based on in-house rules and in accordance with their own responsibilities and job authority.
3. Regarding important management risks, directors and employees share information as necessary and respond swiftly and appropriately, in addition to reporting to the Representative Director, Operating Officer, and CEO.
4. The necessary notifications and training are provided swiftly to directors and employees in cases such as the establishment or amendment of applicable laws and major scandals or accidents inside the Group or at other companies.

(5) Systems for ensuring the reliability of financial reports of the Company and its subsidiaries

1. The Company carries out accurate and timely financial reporting in compliance with the Financial Instruments and Exchange Act and the rules of securities exchanges. In addition, to ensure the reliability of financial reports, the Company and its subsidiaries establish structures for the maintenance and operation of effective and appropriate internal control systems reflecting their size and based on the Companies Act and other applicable laws and regulations. They also evaluate these continuously to ensure that they are functioning properly and implement any necessary corrective measures.
2. Through internal auditing activities, the section in charge of internal auditing ascertains, evaluates, and reports to the Representative Director, Operating Officer, and CEO and the Audit and Supervisory Board on the state of maintenance and operation of internal controls related to financial reporting (including any discrepancies and the state of improvements).

(6) Systems for ensuring the propriety of the operations of the Group of companies consisting of the Company and its subsidiaries

1. In addition to management based on the Group Company Regulations, through the appointment of officers in charge of the sections managing Company subsidiaries as necessary, Company directors and employees are appointed as directors of subsidiaries to oversee appropriate business operations by subsidiaries. For subsidiaries in foreign countries, in addition to the development of structures to ensure compliance with the laws and regulations of the

applicable countries, systems are developed to ensure the propriety of business operations in light of considerations such as the sizes and businesses of the subsidiaries and the laws and regulations of the countries in which they do business.

2. Although in principle the subsidiaries of the Company manage themselves independently, they report to the Company Board of Directors periodically on matters related to their businesses and the execution of the duties of their directors, and any important matters that could impact the Group as a whole are subject to decisions by the Company Board of Directors.
3. Together with engaging in transactions and other dealings between the Company and Group companies properly in compliance with laws and regulations, each subsidiary needs to obtain the approval of the Company before engaging in important transactions.
4. The Company's section in charge of internal auditing implements internal auditing of Company subsidiaries and similar parties, to ensure the propriety of Group business execution.
5. Company Audit and Supervisory Board members audit the propriety of the execution of duties of subsidiary directors.

(7) Systems for reporting by directors and employees to the Company's Audit and Supervisory Board members and other systems related to reporting to Audit and Supervisory Board members

1. If a Group director or employee has identified a violation of laws and regulations or another matter that could cause severe damage to the Company or a subsidiary, the person promptly reports the matter to an Audit and Supervisory Board member of the Company or the Company Audit and Supervisory Board.
2. Group directors and employees promptly submit any reports on the execution of business duties demanded by Company Audit and Supervisory Board members.
3. The Company prohibits treating Group directors and employees who have submitted reports to Audit and Supervisory Board members at a disadvantage as a result of having made such reports and ensures that Group directors and employees are thoroughly aware of this fact.

(8) Systems for ensuring the efficacy of auditing by Company Audit and Supervisory Board members

1. A system is in place under which Audit and Supervisory Board members attend meetings of the Board of Directors and other important internal meetings as necessary to receive reports on important matters and offer their opinions.
2. Audit and Supervisory Board members regularly exchange information and opinions and cooperate with the section in charge of internal auditing and the accounting auditor, as well as exchanging opinions with the Representative Directors, Operating Officer, and CEO as necessary, to ensure the efficacy of auditing.
3. When so demanded by Audit and Supervisory Board members, employees are assigned to assist in their duties. These employees provide such assistance based on instructions and orders from Audit and Supervisory Board members and maintain independence from directors. Audit and Supervisory Board members may offer opinions on matters related to the transfer, human-resource evaluations, and discipline of such employees, and the directors respect such opinions.
4. When an Audit and Supervisory Board member has made a demand to the Company concerning matters related to the prepayment of expenses related to the execution of assigned duties under Article 388 of the Companies Act, the expenses or obligations demanded are processed swiftly unless judged through review by the section in charge not to be necessary to the execution of the duties of the Audit and Supervisory Board member.

The latest information on the status of operation of the Basic Principle on the development of the internal controls system is disclosed in the 'Notice of the Ordinary General Meeting of Shareholders' posted to the Company website at the following URL:

■ https://zigexn.co.jp/en/ir/stockholders_meeting/

2. Basic thinking on the exclusion of antisocial forces and the state of related measures

In recognition of the danger posed by antisocial forces, who pose threats to social order and business activities, the Company responds thoroughly and systematically with a resolute attitude to any demands from such forces. We also cooperate with the police, our advising attorneys, and other outside specialists to collect and manage information concerning antisocial forces, as well as strive to maintain and enhance internal structures for responding to them.

Basic Principle on Responding to Antisocial Forces

The Company has established this Basic Principle to realize sound business management and retain public trust by

maintaining a resolute attitude of refusing any improper demands or other approaches by antisocial forces, including organized crime, members of organized crime, quasi-members of organized crime, companies affiliated with organized crime, sokaiya racketeers, racketeers posing as social movements, racketeers posing as political movements, and special Intelligence violence groups while striving to eliminate any relationships with antisocial forces.

1. Business execution policies

The Company responds to antisocial forces based on the following basic action policies:

<1> Refusal of any relationships, including transactions, with antisocial forces

We respond resolutely to any improper demands or other approaches by antisocial forces and take action to eliminate any relationships with antisocial forces.

<2> Prohibition of backroom deals and provision of funds to antisocial forces

Even if an improper demand from antisocial forces is in response to an impropriety in business activities or an impropriety committed by an employee, we will never engage in backroom deals to cover up the facts. We also will never provide funds to antisocial forces for any reason.

<3> Cooperation with outside specialists

To eliminate antisocial forces, we always cooperate closely with outside specialists such as the police, attorneys, and the Center for Removal of Criminal Organizations.

<4> Systematic responses

We respond to antisocial forces organization-wide, from top management down, instead of leaving the matter entirely to the persons and sections in charge, and we ensure the safety of executives and employees.

<5> Responding to incidents through civil and criminal law

In cases such as when improper demands have been received from antisocial forces, we proactively consult with outside specialists and implement various measures under civil law, while not hesitating to respond under the criminal law as well.

2. Details of operations and structure

The Company maintains the following structure under which the Corporate Management Division is tasked as the section in charge of responding to antisocial forces.

<1> Carrying out the following operations to eliminate transactions with antisocial forces:

- (1) We check for relations to antisocial forces when engaging in new transactions.
- (2) We conclude transaction contracts based on contractual documents or transaction codes that include provisions for the elimination of antisocial forces, as Company compliance guidelines.

<2> Collecting information on antisocial forces

- (1) We maintain a structure for collecting information concerning antisocial forces and carry out monitoring to prevent any transactions or association with antisocial forces.
- (2) We strive to collect information concerning antisocial forces through outside specialists, such as the Center for Removal of Criminal Organizations.

<3> Maintenance of a structure for responding to incidents

- (1) Together with maintaining in-house rules and a manual on responding to antisocial forces to ensure appropriate responses to such forces, we also provide related training to executives and employees.
- (2) Officers and employees maintain an attitude of refusing any improper demands from antisocial forces in accordance with the manual on responding to antisocial forces.

<4> Maintenance of a structure for responding to serious incidents of improper demands at subsidiaries

For cases such as improper demands made to Company subsidiaries that could have a serious impact on the Company, proposed responses are drafted in cooperation with the subsidiaries, and the Compliance Committee is consulted.

3. Internal controls

The Board of Directors implements internal controls related to responding to antisocial forces by making decisions and receiving reports on the following matters concerning responses to antisocial forces:

<1> Board of Directors

- (1) Decisions on the establishment, amendment, and abolition of this Basic Principle
- (2) Reports on responses to improper demands and other incidents that could have a serious impact on the Company

<2> Compliance Committee

- (1) State of maintenance of the Company's response systems
- (2) Policies for responding to improper demands and other incidents that could have a serious impact on the Company

4. Amendment and abolition

The Board of Directors shall make decisions on important amendments to and abolition of this Basic Principle.

5. Section responsible

The Corporate Management Division is responsible for this Policy.

6. Revision record

November 14, 2012: Establishment planned

January 1, 2017: Formal revisions such as name changes

V. Other Matters

1. Adoption of anti-takeover measures

Anti-takeover measures adopted?	No
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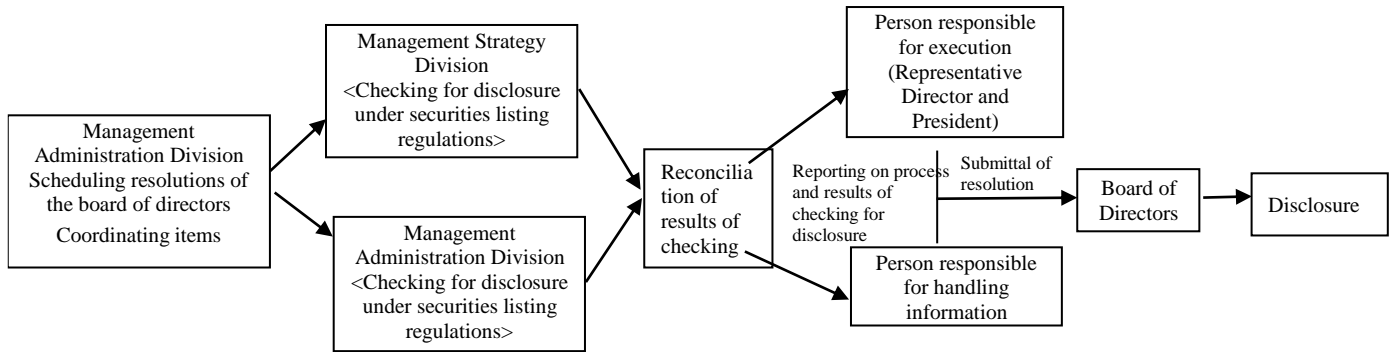
Supplemental explanation of this item

Based on the basic concept that increasing the Company's enterprise value will enable it to defend itself against hostile takeover bids, as of the date of submittal of this Report the Company has not adopted any anti-takeover measures. We intend to consider matters related to the necessity of anti-takeover measures and the Company's specific thinking on this topic in the future in accordance with the provisions of the Corporate Governance Code.

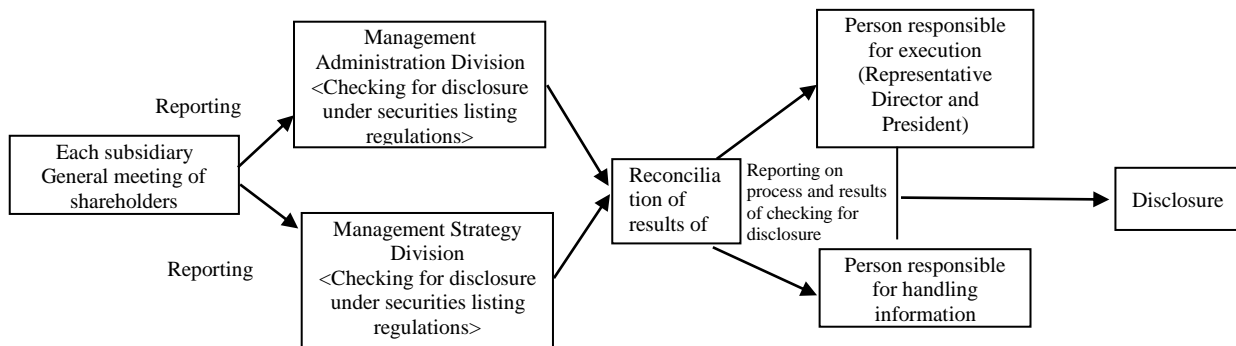
2. Other matters related to the corporate governance structure

Timely Disclosure Procedures

<Information on Company decisions and financial results>



<Information on Company decisions>



<Information on matters affecting Group companies>

