

Following is the status of corporate governance at INNOTECH Corporation (hereinafter referred to as “INNOTECH”)

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

### 1. Basic Views

Based on the recognition that corporate governance functioning effectively is indispensable for a company to remain competitive and efficient, and thus to maximize the return on investment for our shareholders, INNOTECH pursues fair and sound management in line with the global standards.

On November 9, 2015, INNOTECH established its Corporate Governance Guidelines (hereinafter “Guidelines”).

Please refer to the various basic policies and approaches related to INNOTECH’s governance.

[https://www.innotech.co.jp/english/corporate/pdf/guideline\\_en.pdf](https://www.innotech.co.jp/english/corporate/pdf/guideline_en.pdf)

#### **【Reasons for Non-compliance with Principles of Corporate Governance Code】** Updated

This report is corresponding to Revised Corporate Governance Code revised at 2021, June.

**【Principle 4-11 Prerequisites for Ensuring the Effectiveness of the Board of Directors and the Audit & Supervisory Board Members】**

•Supplementary Principle 4-11-1

INNOTECH’s approach to the balance of knowledge, experience, and abilities, diversity, and size of the Board of Directors as a whole, as well as its policies and procedures regarding the election of Directors, are set forth in Articles 7 and 16 of the Guidelines. The so-called skills matrix will be included in the notice of the next General Meeting of Shareholders.

#### **【Disclosure in Accordance with Principles of Corporate Governance Code】** Updated

**【Principle 1 – 4 Cross-Shareholdings】**

Please refer to Article 24 and 25 of the Guidelines.

**【Principle 1 – 7 Transactions between related parties】**

Please refer to Article 13 of the Guidelines.

**【Principle 2 – 4 Ensuring Diversity, Including Active Participation of Women】**

Supplementary Principle 2-4-1

1. Policy for Core Personnel Assignment and Promotion

INNOTECH aims at providing workplace where each employee is motivated, is encouraged to demonstrate his or her unique talent and personality, and works with different work style and makes new challenges. Regardless of their age, gender and gender identity, sexual orientation, nationality, and work history such as being hired as new graduates or hired by mid-career recruitment, INNOTECH will assign and promote qualified employees to managerial positions and ensure diversity and inclusion.

2. Numerical Target of Diversity

As of the end of FY 2020, the percentage of female management employees at INNOTECH Group was 13.4%. By region, 2.1% at domestic group companies in Japan and 30.2% at overseas group companies. INNOTECH recognizes that this difference in percentage of male and female management employees at domestic group companies in Japan is an issue in terms of ensuring diversity in human resources. INNOTECH has set the percentage of female management employees at domestic group companies in Japan as one of the main key performance indicators (KPIs) and will take measures to achieve the following targets;

Percentage of Female Management Employees at Domestic Group Companies in Japan

FY2020 (Actual)	FY2025 Target	FY2030 Target
2.1%	5.0%	10.0%

While INNOTECH recognizes that difference in percentage of male and female management employees at domestic group companies in Japan is an issue in terms of ensuring diversity in human resources and the company is making following efforts as key measures to resolve the issue, INNOTECH does not recognize any specific difference in assigning and promoting employees to managerial positions by nationality. Thus, the company does not devise and disclose numerical targets for management employees with foreign nationalities. Percentage of management employees hired by mid-career recruitment has already reached to more than 50%.

Please refer to the relevant page on our ESG website ([https://www.innotech.co.jp/esg/human\\_resource/data/](https://www.innotech.co.jp/esg/human_resource/data/)) for our human resources data trends.

<<Key Measures>>

- \* Provide opportunities for female employees to exchange views and opinions with the management team on a regular basis;
- \* Provide periodic training programs which are targeted to promote diversity;
- \* Achieve 30% or higher rate of new graduate female employees;
- \* Promote flexible and efficient work style, such as by enhancing consumption of annual paid leaves, and making short-time working system for child care and working from home available.

3. Policy to Nurture Human Resources

As for INNOTECH policy to nurture human resources, see “Efforts on Human Resources”. ([https://www.innotech.co.jp/esg/human\\_resources/](https://www.innotech.co.jp/esg/human_resources/))

**【Principle 2-6: Exercise function as an asset owner of corporate pension plans】**

INNOTECH recognizes that the management of corporate pension plans affects the asset formation of employees and its own financial situation, and assigns appropriately qualified personnel, such as the heads of the finance and accounting and human resources departments, to the asset management staff, and also operates in cooperation with employee representatives to ensure that conflicts of interest are properly managed. In addition, the management of corporate pension funds is entrusted to investment institutions that have announced their acceptance of the Stewardship Code, and the status of pension asset management by each investment institution is monitored on a regular basis.

**【Principle 3 – 1 Full Disclosure】**

(i) Company objectives (Management Philosophy and so on), business strategies and management plan

Please refer to the following official corporate website and Article 3 of the Guidelines for our management philosophy. Also, please refer to the presentation of the Financial Results and the message from the top manager which are posted on INNOTECH official corporate website for our business strategies and Mid-Term management plan.

Message from Top Manager <https://www.innotech.co.jp/english/ir/policy/message.html>

Management Philosophy <https://www.innotech.co.jp/corporate/rinen/> (written in Japanese only)

Medium-Term Vision <https://www.innotech.co.jp/english/ir/policy/midterm.html>

IR materials <https://www.innotech.co.jp/english/ir/>

(ii) Basic views and policy on corporate governance

Please refer to “I Basic Views on Corporate Governance and Capital Structure, Corporate Attributes, and Other Basic Information 1. Basic Views” of this report or the Guidelines.

(iii) Board policies and procedures in determining remuneration of Corporate Officers

Please refer to Article 10 of the Guidelines.

Also, INNOTECH has established the Advisory Committee whose majority of members consist of the Independent Directors as a voluntary advisory body to the Board of Directors and the Committee deliberates, provides suggestions and advice with respect to the content of the remuneration paid to the corporate officers.

(iv) Appointment policies and procedures of executives and nomination of candidates of the Directors and the Audit & Supervisory Board Members

Please refer to Article 7 to 9 of the Guidelines.

INNOTECH has established the Advisory Committee whose majority of members consist of the Independent Directors as a voluntary advisory body to the Board of Directors and the Committee deliberates, provides suggestions and advice with respect to the election and dismissal of the Directors and the Audit & Supervisory Board Members.

(v) Reasons for appointment of executives as well as nomination of candidates of the Directors and the Audit & Supervisory Board Members based on the provision of (iv) above

Reasons for nomination of the Inside Directors are attached to this report.

Reasons for nomination of the Outside Directors and the Outside Audit & Supervisory Board Members are included in this report.

**Supplementary Principle 3-1-3**

Please refer to the following official corporate website as to INNOTECH’s initiatives on sustainability and basic policies of sustainability.

[https://www.innotech.co.jp/esg/innotech\\_esg/innotech\\_sdgs/](https://www.innotech.co.jp/esg/innotech_esg/innotech_sdgs/)

[https://www.innotech.co.jp/esg/innotech\\_esg/message/](https://www.innotech.co.jp/esg/innotech_esg/message/)

[https://www.innotech.co.jp/esg/supply\\_chain/](https://www.innotech.co.jp/esg/supply_chain/)

INNOTECH has devoted large amounts of R&D expenses, and will keep R&D continuously. The actual amount has been timely disclosed at seminars on our financial results. Please refer to the following official corporate website.

<https://www.innotech.co.jp/english/ir/library/presentation.html>

About information on investments in human capital and intellectual properties, please refer to the following official corporate websites.

[https://www.innotech.co.jp/esg/human\\_resource/](https://www.innotech.co.jp/esg/human_resource/)

[https://www.innotech.co.jp/esg/society/intellectual\\_property/](https://www.innotech.co.jp/esg/society/intellectual_property/)

**【Principle 4 – 1 Roles and Responsibilities of the Board of Directors (1)】**

•Supplementary Principle 4-1-1

Please refer to Article 7 of the Guidelines.

**【Principle 4 – 9 Independence Standards and Qualifications for the Independent Outside Directors】**

Please refer to Article 14 of the Guidelines.

**【Principle 4-11: Prerequisites for ensuring the effectiveness of the Board of Directors and the Audit & Supervisory Board Members】**

The voluntary advisory committee, the majority of whose members are independent Directors, deliberates on the selection and dismissal of Directors and provides advice and recommendations. In order to fulfill its roles and responsibilities in a practical manner, INNOTECH’s Board of Directors is composed of Directors with diverse knowledge, experience, and abilities, including internationally experienced foreign Directors and female Directors, and female auditors participate in discussions to ensure diversity.

•Supplementary Principle 4-11-1

Please refer to Article 7 of the Guidelines.

•Supplementary Principle 4-11-2

INNOTECH states in the Notice of Convocation of the General Meeting of Shareholders and the Annual Securities Report the status of Directors and the Audit & Supervisory Board Members of INNOTECH holding concurrent positions as Directors and the Audit & Supervisory Board Members of other listed companies.

•Supplementary Principle 4-11-3

INNOTECH started evaluation on the effectiveness of the Board of Directors since FY2015. This year, we outsourced questionnaire to a third party in order to adopt new objective viewpoints. This year, we outsourced questionnaire to a third party in order to adopt new objective viewpoints. For the results of FY2020 evaluation, please refer to “II 2. 2 Evaluation on the Effectiveness of the Board of Directors” of this report.

**【Principle 4—14 Training for Directors and Audit & Supervisory Board Members】**

•Supplementary Principle 4-14-2

Please refer to Article 11 of the Guidelines.

**【Principle 5—1 Policy for Constructive Dialogue with Shareholders】**

Please find our IR Policy which is disclosed on the INNOTECH official corporate website;

<https://www.innotech.co.jp/english/ir/policy.html>

## 2. Capital Structure

Percentage of shares owned by foreign shareholders	20% or above and below 30%
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### 【Major Shareholders】

Shareholders	Number of shares held	Percentage of shares held
The Master Trust Bank of Japan, Ltd. (Trust Account)	827,200	6.50
CADENCE TECHNOLOGY LIMITED	456,000	3.58
Mizuho Bank Ltd.	420,000	3.30
Custody Bank of Japan.(Trust Account)	324,100	2.55
Sumitomo Mitsui Banking Corporation	320,000	2.51
The Dai-ichi Life Insurance Company, Limited	280,000	2.20
Employee stockholding association of Innotech	269,000	2.11
THE HOKURIKU BANK, LTD.	265,400	2.08
Nihon Toushi K.K.	258,600	2.03
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SETT ACCT	237,600	1.87

Controlling shareholders (excluding the Parent Company)	—
Parent Company	None

### Supplementary Explanation

#### 【Major Shareholders】

INNOTECH holds 967,300 shares of treasury stock (7.06%) as of March 31, 2021, but they are excluded from the list above.

The statement of large-volume holdings dated February 4, 2021 regarding the number of shares held by Sumitomo Mitsui Trust Bank, Ltd and its joint holder Sumitomo Mitsui Trust Asset Management Co., Ltd and Nikko Asset Management, Ltd. is available for public inspection. According to the report, as of January 29, 2021, the companies held the following number of INNOTECH's shares. However, INNOTECH has not been able to confirm the actual number of shares owned by Sumitomo Mitsui Trust Bank, Ltd and its joint holder Sumitomo Mitsui Trust Asset Management Co., Ltd and Nikko Asset Management, Ltd. as of March 31, 2021. Therefore, the above list is based on the list of shareholders as of March 31, 2021. The contents of the statement of large-volume holdings are as follows;

[Sumitomo Mitsui Trust Bank Ltd.] Number of shares held : 200,000 / Percentage of shares held : 1.46%

[Sumitomo Mitsui Trust Asset Management Co., Ltd.] Number of shares held : 330,500 / Percentage of shares held : 2.44%

[Nikko Asset Management, Ltd.] Number of shares held : 154,700 / Percentage of shares held : 1.13%

The change report of the statement of large-volume holdings dated March 22, 2021 regarding the number of shares held by Goldman Sachs Securities and its joint holder Goldman Sachs International and Goldman Sachs & Co. LLC. is available for public inspection. According to the report, as of March 15, 2021, the companies held the following number of INNOTECH's shares. However, INNOTECH has not been able to confirm the actual number of shares owned by Goldman Sachs Securities and its joint holder Goldman Sachs International and Goldman Sachs & Co. LLC. as of March 31, 2021. Therefore, the above list is based on the list of shareholders as of March 31, 2021.

The contents of the statement of large-volume holdings are as follows;

[Goldman Sachs Securities] Number of shares held : 1,000 / Percentage of shares held : 0.01%

[Goldman Sachs International] Number of shares held : 209,444 / Percentage of shares held : 1.53%

[Goldman Sachs & Co. LLC] Number of shares held : 0 / Percentage of shares held : 0.00%

## 3. Corporate Attributes

Listed exchange and market segment	Tokyo Stock Exchange, 1 <sup>st</sup> Section
Fiscal year-end	March
Industry	Wholesale Trade
Number of employees at the most recent fiscal year-end (consolidated)	1,000 or more
Consolidated net sales for the most recent fiscal year	Between 10 billion and less than 100 billion
Number of consolidated subsidiaries at the most recent fiscal year-end	Between 10 and less than 50

**4. Guidelines on Measures to Protect Minority Shareholders When Dealing with Controlling Shareholders**

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**5. Other Special Circumstances that may Materially Affect Corporate Governance**

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## II Corporate Governance Structure for Management Administration Pertaining to Management Decision-making, Execution, and Supervision, and Others

### 1. Matters concerning Institutional Structure and Organizational Operations

Organization Form	Company with an Audit & Supervisory Board
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#### **[Director]**

Number of Directors specified in the Articles of Incorporation	21 or less
Terms of office specified in the Articles of Incorporation	1 year
Chairperson of the Board of Directors	Chairman (Excluding holding the post of President concurrently)
Number of Directors	9
Outside Directors appointed	Yes
Number of Outside Directors	3
Number of Outside Directors designated as Independent officers	3

Outside Directors' relationship with the Company (1)

Name	Attribute	Relationship with the Company (※)										
		a	b	c	d	e	f	g	h	i	j	k
Ichiro Anjo	From another company								△			
Kimito Nakae	From another company											
Shino Hirose	Attorney											

#### ※ Categories for "Relationship with the Company"

※ "○" 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; "▲" when a close relative of the Director fell under the category in the past.

- a Executive of the Company or its subsidiary
- b Non-executive Director or executive of a parent company of the Company
- c Executive of a fellow subsidiary company of the Company
- d A party whose major client or supplier is the Company or an executive thereof
- e Major client or supplier of the Company or an executive thereof
- f Consultant, accountant or legal professional who receives a large amount of monetary compensation or other property from the Company besides compensation as a Director
- g Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the Director himself/herself only)
- i Executive of a company, between which and the Company Outside Directors/Audit & Supervisory Board Members are mutually appointed (the Director himself/herself only)
- j Executive of a company or organization that receives a donation from the Company (the Director himself/herself only)
- k Others

Name	Independent Officers	Supplementary explanation of Attributes	Reason for assignment
Ichiro Anjo	○	<p>INNOTECH had transactions based on a consulting agreement with Jisso Partners Inc. of which Mr. Ichiro Anjo is the representative Director. However, the agreement was terminated on May 31, 2016, and the transaction amount was 600 thousand yen, which was insignificant. Therefore, INNOTECH believes that there is no materiality that would create a special interest relationship.</p> <p>Based on the Companies Act of Japan, Article 427(1), INNOTECH and Mr. Anjo have executed a liability limitation agreement under Article 423(1) with the Minimum Liability Amount which is prescribed in Article 425(1).</p>	<p>INNOTECH has determined that Ichiro Anjo is able to strengthen INNOTECH's management structure by taking advantage of his many years of experience and deep insight in the semiconductor business to provide advices on INNOTECH's management in general, and therefore he is assigned as an Outside Director. INNOTECH has designated and notified him as an independent Director because he is a highly independent person with no possibility of conflict of interest with general shareholders, is independent from the management team, and can fulfill the role expected of an independent Director from the viewpoint of protecting general shareholders.</p>
Kimito Nakae	○	<p>Based on the Companies Act of Japan, Article 427(1), INNOTECH and Mr. Saka have executed a liability limitation agreement under Article 423(1) with the Minimum Liability Amount which is prescribed in Article 425(1).</p>	<p>Kimito Nakae has many years of experience and specialist expertise in the administrative organizations and the financial industry, and therefore is assigned as an Outside Director, with the expectation that he is able to supervise and provide effective advices from a broad range of view to improve management and administration of the Company. INNOTECH has designated and notified him as an independent Director because he is a highly independent person with no possibility of conflict of interest with general shareholders, is independent from the management team, and can fulfill the role expected of an independent Director from the viewpoint of protecting general shareholders.</p>
Shino Hirose	○	<p>Based on the Companies Act of Japan, Article 427(1), INNOTECH and Mr. Saka have executed a liability limitation agreement under Article 423(1) with the Minimum Liability Amount which is prescribed in Article 425(1).</p>	<p>In addition to a wealth of experience in the areas of corporate law and compliance as an attorney, Shino Hirose has a broad range of expertise in international businesses and corporate activities. Therefore, she is assigned as an Outside Director, with the expectation that such highly-specialized experience and perspectives are utilized in the overall management of the Company. INNOTECH has designated and notified her as an independent Director because she is a highly independent person with no possibility of conflict of interest with general shareholders, is independent from the management team, and can fulfill the role expected of an independent Director from the viewpoint of protecting general shareholders.</p>

Voluntary Committee corresponding to Nomination Committee or Remuneration Committee	Yes
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## Voluntary committees, their members, and attributes of the Commissioners (Chairperson)

	Committee Name	Number of Members	Number of Fulltime Members	Number of Inside Directors	Number of Outside Directors	Number of Outside Experts	Others	Commissioner (Chairperson)
Voluntary Committee corresponding to Nomination Committee	Advisory Committee	4	0	1	3	0	0	Outside Director
Voluntary Committee corresponding to Remuneration Committee	Advisory Committee	4	0	1	3	0	0	Outside Director

Commissioner: Ichiro Anjo, Outside Director  
 Frequency of the committee meetings: whenever as necessary  
 Secretariat: Corporate Planning Dept.

### 【Audit & Supervisory Board Members】

Audit & Supervisory Board established	Yes
Number of Audit & Supervisory Board Members specified in the Articles of Incorporation	5 or less
Number of Audit & Supervisory Board Members	4

### Status of collaborative work among Audit & Supervisory Board Members, Accounting Auditors, and Internal Audit Department

The Audit & Supervisory Board Members, the Internal Audit Department, and the Accounting Auditors regularly meet to exchange opinions and information, or attend audits as necessary, in order to improve the reliability of financial reporting. The Internal Control Office, in consultation with the accounting auditors, prepares annual plans and manages their progress in order to ensure cooperation. The Audit & Supervisory Board Members, the Internal Audit Department, and the Accounting Auditors cooperate with the Internal Control Office as appropriate, so that they can mutually understand information that should be shared.

Outside Audit & Supervisory Board Members appointed	Yes
Number of Outside Audit & Supervisory Board members	3
Number of Outside Audit & Supervisory Board Members designated as independent officers	3

### Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company (※)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Isao Kato	From another company													
Nobuo Tanaka	Other													
Yoshiko Kurisaki	From another company													

#### ※ Categories for "Relationship with the Company"

※ "○" when the Audit & Supervisory Board Member presently falls or has recently fallen under the category; "△" when the Audit & Supervisory Board Member fell under the category in the past.

※ "●" when a close relative of the Audit & Supervisory Board Member presently falls or has recently fallen under the category; "▲" when a close relative of the Audit & Supervisory Board Member fell under the category in the past.

- a Executive of the Company or its subsidiary
- b Non-executive Director or accounting advisor of the Company or its subsidiary
- c Non-executive Director or executive of a parent company of the Company
- d Audit & Supervisory Board Member of a parent company of the company
- e Executive of a fellow subsidiary company of the Company
- f A party whose major client or supplier is the Company or an executive thereof
- g Major client or supplier of the Company or an executive thereof
- h Consultant, accountant or legal professional who receives a large amount of monetary compensation or other property from the Company besides compensation as an Audit & Supervisory Board Member
- i Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h)(the Audit & Supervisory Board Member himself/herself only)
- k Executive of a company, between which and the Company Outside Directors/ Audit & Supervisory Board Member are mutually appointed (the Audit & Supervisory Board Member himself/herself only)
- l Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
- m Others



Name	Independent Officers	Supplementary explanation of Attributes	Reason for assignment
Isao Kato	○	Based on the Companies Act of Japan, Article 427(1), INNOTECH and Mr. Kato have executed a liability limitation agreement under Article 423(1). The limited liability amount is as prescribed by the relevant laws and regulations.	In addition to Isao Kato's wealth of experience in corporate management through his many years of extensive involvement in IT-related business, his management experience in the lease business has furnished him with sufficient knowledge in finance and accounting. Therefore he is assigned as an Outside Audit & Supervisory Board Member, with the expectation that he monitors management in general and provides effective advices. INNOTECH has designated and notified him as an independent Director because he is a highly independent person with no possibility of conflict of interest with general shareholders, is independent from the management team, and can fulfill the role expected of an independent Director from the viewpoint of protecting general shareholders.
Nobuo Tanaka	○	Based on the Companies Act of Japan, Article 427(1), INNOTECH and Mr. Tanaka have executed a liability limitation agreement under Article 423(1). The limited liability amount is as prescribed by the relevant laws and regulations.	Nobuo Tanaka has extensive international knowledge and expertise, and therefore is assigned as an Outside Audit & Supervisory Board Member, with the expectation that he provides advices from a high-level position for the overseas expansion of the Company. INNOTECH has designated and notified him as an independent Director because he is a highly independent person with no possibility of conflict of interest with general shareholders, is independent from the management team, and can fulfill the role expected of an independent Director from the viewpoint of protecting general shareholders.
Yoshiko Kurisaki	○	Based on the Companies Act of Japan, Article 427(1), INNOTECH and Ms Kurisaki have executed a liability limitation agreement under Article 423(1). The limited liability amount is as prescribed by the relevant laws and regulations.	Yoshiko Kurisaki has many years of international business experience at international organizations and multinational companies in Europe, and therefore is assigned as an Outside Audit & Supervisory Board Member, with the expectation that she further strengthens the audit function of the Company, which is globalizing in accordance with recent changes in the social situation, and provides effective advices as a female Audit & Supervisory Board Member. INNOTECH has designated and notified her as an independent Director because she is a highly independent person with no possibility of conflict of interest with general shareholders, is independent from the management team, and can fulfill the role expected of an independent Director from the viewpoint of protecting general shareholders.

### 【Independent Officers】

Number of independent officers

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Other matters concerning independent officers

### 【Incentives】

Measures granting incentives to Directors

Introduction of performance-based compensation system and others

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Supplementary explanation

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INNOTECH's policy on compensation for executive Directors is to provide, in addition to monthly compensation, performance-linked compensation and compensation linked to shareholders' long-term interests that reflect the value of INNOTECH's shares (stock-related compensation), respectively, in order to motivate them to increase INNOTECH's corporate value.

The performance-linked remuneration is a bonus based on the consolidated business results for the fiscal year, and its payment is subject to the achievement of profit targets for the fiscal year. The amount of the contribution must be fair, taking into consideration not only the contribution to the annual profit but also the contribution to INNOTECH from a long-term perspective and the evaluation of INNOTECH.

The payment of performance-linked and stock-related compensation is deliberated by the Advisory Committee and decided by the Board of Directors based on its report, a decision-making process that fully reflects the opinions of outside Directors.

Recipients of Stock Options

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Supplementary explanation

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**【Director Remuneration】**

Disclosure of individual Directors' remuneration

The Company does not disclose remuneration data of individual Director

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Supplementary explanation

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Remuneration for the Directors and the Audit & Supervisory Board Members of INNOTECH as of March 2021 was as follows;

(Remuneration for Corporate Officers)

Remuneration paid to the Directors: 197,272K yen (basic compensation: 150,862K yen, performance-based compensation: 33,650K yen, compensation by restricted stock: 12,759K yen)

Remuneration paid to the Audit & Supervisory Board Members: 13,200K yen (basic compensation: 13,200K yen)

Remuneration paid to the Outside Officers: 42,000K yen (basic compensation: 42,000K yen)

Grand Total: 252,473K yen

(Note) The total amount of compensation does not include 42,821 thousand yen in total compensation to Directors of INNOTECH's consolidated subsidiaries who concurrently serve as Directors of such subsidiaries.

(Note) Targets and actual results of consolidated operating income, which is an evaluation index for determining performance-linked compensation, are as follows.

Consolidated operating income for the 35th fiscal year (ending March 31, 2021)

Initial target: 1,650 million yen/Actual: 1,954 million yen

Net Income Attributable to Owners of the Parent for the 35th Fiscal Year (ending March 31, 2021)

Initial target: 1,100 million yen/Actual: 1,534 million yen

Policy to determine remuneration and calculation method

Yes

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Disclosure of Policy for Determining Remuneration or Calculation Method

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INNOTECH resolved the company policy to determine the content of individual compensations of the Directors at the Board Meeting held on March 18, 2021. Prior to the resolution, the Board of Directors consulted with the Advisory Committee, which was established as a voluntary advisory body to the Board of Directors, whose majority of members consist of the Independent Outside Directors and whose commissioner is one of the Independent Outside Directors. The Advisory Committee advised the Board of Directors that the policy was appropriate.

The policy is as follows;

Basic Policy

- Remuneration structure depends on a role and the duty of each Director.
- Remuneration works as an appropriate incentive to enhance business performance and corporate value.
- Remuneration structure contributes to enhance corporate value for mid-term and long-term, and make directors share a profit-based awareness from the perspective of stockholders.
- Transparency in decision-making processes, objectiveness and fairness of remuneration standards are ensured.
- Remuneration structure and standards are reviewed and updated based on the economic and social conditions and the business environment of INNOTECH Group as appropriate.

Remuneration paid to the Directors consists of “Monthly Compensation” as fixed compensation, “Performance-based Compensation” which is linked to short-term business performance, and “Restricted Stock Compensation” as mid-term and long-term incentives. Remuneration for other Directors than the Executive Directors, such as the Outside Directors and part-time Directors, is “Monthly Compensation” only, taking their role to supervise and provide advices on management into consideration.

•Monthly Compensation: Paid to all Directors to compensate their duty to supervise management and execute business affairs, taking each Director’s position and role into account.

•Performance-based Compensation: Bonus paid to the Executive Directors based on the Company’s consolidated business results and payment is made if and when the annual profit target is achieved. The maximum amount is 2.5% of the profit attributable to owners of parent of the year, since INNOTECH believes that the profit attributable to owners of parent is a core management indicator which directly contributes to enhancements of corporate value and shareholder returns. As for an indicator of the Executive Directors’ performance evaluation, INNOTECH believes it is optimal and therefore adopts the consolidated operating profit. With respect to distribution to each Executive Director, it is determined within the scope of 0~300% of his monthly compensation amount, taking contribution level of each business area where he is in charge to the consolidated operating profit, achievement level of the original business plan made in the beginning of fiscal year for the said business area, and his position and duty into account.

•Restricted Stock Compensation: Offered in order to give the Executive Directors incentives to sustainably enhance the corporate value of INNOTECH Group and to have them share a profit-based awareness from the perspective of stockholders. The maximum number of stocks offered to all Executive Directors is determined, utilizing the consolidated ROE and PBR of the year before as indicators on a fifty-fifty basis. Afterward the number of stocks offered to each Executive Director is determined within the above scope, evaluating each Executive Director’s mid-term and long-term contributions to enhance corporate value.

The Advisory Committee deliberates the appropriateness and the fairness of total remuneration amount and individual compensation amount of “Monthly Compensation” and “Restricted Stock Compensation” paid to the Executive Directors including the President and Representative Director, based on the resolution made by the General Meeting of Shareholders as well as the standards prescribed by the “Corporate Officers’ Remuneration Rule” and the performance evaluation, and reports to the Board of Directors. Based on the report from the Advisory Committee, the Board of Directors determines the individual compensation amount.

For “Performance-based Compensation” paid to the Executive Directors including the President and Representative Director, the Board of Directors resolved the maximum total payment amount and that the individual compensation amount would be up to the sole discretion of the President and Representative Director (who is Toshihiko Ono during FY2020 ending March 2021 and is Nobuyuki Otsuka after April 2021). The authority delegated to the President and Representative Director was to evaluate and distribute Performance-based Compensation paid to each Executive Director, taking contribution level of each business area where he is in charge to the consolidated operating profit, achievement level of the original business plan made in the beginning of fiscal year for the said business area, and his position and duty into account. The reason why such authority was delegated to the President and Representative Director was that he was considered to be the best person to evaluate the business area where each Executive Director is in charge, overlooking the performance of the entire INNOTECH Group. The Advisory Committee deliberates the appropriateness and the fairness of individual compensation amount of “Performance-based Compensation” paid to the Executive Directors including the President and Representative Director, based on the resolution made by the General Meeting of Shareholders as well as the standards prescribed by the “Corporate Officers’ Remuneration Rule” and the performance evaluation, and reports to the President and Representative Director. Based on the report from the Advisory Committee, the President and Representative Director determines the individual compensation amount under his authority which is delegated by the Board of Directors.

As for determining the content of individual compensations of the Directors, since the Advisory Committee reviewed the draft proposal from various aspects, including its consistency with the relevant company policy, the Board of Directors has decided to respect the report presented by the Advisory Committee and to follow the relevant company policy in principle. Remuneration amount of the Directors (the number of Directors at INNOTECH Corporation is prescribed as 21 or less in its articles of incorporation) was resolved as 400 million yen or less on an annual basis at the 15th Annual General Meeting of Shareholders held on June 28, 2001 (salaries for Directors’ employee status are not included). Also, at the 31st Annual General Meeting of Shareholders held on June 21, 2017, separately from the said maximum amount of the remuneration, it was resolved that the Directors (excluding the Outside Directors) may receive 150 million yen or less of compensation by Restricted Stocks on an annual basis. Remuneration amount of the Audit & Supervisory Board Members was resolved as 60 million yen or less on an annual basis at the 25th Annual General Meeting of Shareholders held on June 23, 2011.

### **【Support System for Outside Directors (Outside Audit & Supervisory Board Members)】**

The Outside Directors and the Outside Audit & Supervisory Board Members exchange views and information with the Internal Audit Office, Internal Control Department, and accounting auditors as appropriate to strengthen the monitoring function and enhance the effectiveness of audits. In order to fulfill the roles and responsibilities of the Board of Directors, INNOTECH has established a support system that includes receiving individual explanations of the background, purpose, and content of Board of Directors meeting agendas and reports in advance from the department in charge of Board of Directors operations.

When a Director or employee discovers a fact that violates laws and regulations or that may cause significant damage to INNOTECH, he or she must promptly report the matter concerning such fact to the Audit & Supervisory Board Members. In addition, when requested by the Audit & Supervisory Board Members to report on matters related to the execution of business operations, INNOTECH must promptly report such matters. The Audit & Supervisory Board Members are allowed to attend the Management Committee, which deliberates important matters concerning management and business execution, and the Sales Committee, which reports monthly on the status of sales and priority measures of each sales division.

## 2. Functions Including Business Execution, Audit, Supervision, Appointment, and Determining Remuneration (Outline of Current Corporate Governance Systems)

### 1. Corporate Governance Scheme

INNOTECH is the company with the Audit & Supervisory Board, and the Board of Directors and the Audit & Supervisory Board are the center of its corporate governance system. As of June 24, 2021, INNOTECH has 9 Directors (one of them has a foreign nationality, and one of them is a female director) who are appointed and in order to clarify the responsibility and flexibly to cope with the changes of the management environment, their term of service is one year. 3 of the 9 Directors are the Outside Directors and by having such Outside Directors present at the Board of Directors, INNOTECH maintains transparent and sound management. The Board Members are, Toshihiko Ono who is the Chairman, Nobuyuki Otsuka as the President and Representative Director, Yoshinori Tanahashi as the Representative Senior Managing Director, Yosuke Kaburagi and Takashi Takahashi as the Managing Directors, Choon-Leong LOU as the Director, and Ichiro Anjo, Kimito Nakae, and Shino Hirose who are the Outside Directors. 4 Audit & Supervisory Board Members (one of them is a female member) are appointed at INNOTECH and by having three of them from outside the company, INNOTECH believes that audits are conducted independently enough. The Audit & Supervisory Board Members are the Outside full-time Audit & Supervisory Board Member Isamu Kato (Chairman), the Full-time Audit & Supervisory Board Member Kensuke Nakakoshi, and Nobuo Tanaka and Yoshiko Kurisaki who are the Outside Audit & Supervisory Board Members.

The Advisory Committee whose majority of members consist of the Independent Outside Directors is established as a voluntary advisory body to the Board of Directors to provide advices and recommendations with respect to election and dismissal of the Directors and the Audit & Supervisory Board Members and remuneration of the Corporate Officers, thus strengthens the independence, objectiveness and the accountability of the function of the Board of Directors. The members of the Advisory Committee are the Outside Directors Ichiro Anjo (Chairman), Kimito Nakae, and Shino Hirose, and the President and Representative Director Nobuyuki Otsuka. And when the Committee finds it necessary, observers such as the Audit & Supervisory Board Members are invited.

#### (Status of Audits by the Audit & Supervisory Board Members and Internal Audits)

The Audit & Supervisory Board Members attend regular and extraordinary meetings of the Board of Directors, and the full-time Audit & Supervisory Board Members attend important internal meetings. In addition to audits by the Audit & Supervisory Board Members in accordance with the Companies Act and other laws and regulations, regular internal audits are conducted on all divisions of the Group in cooperation with the Internal Audit Department. INNOTECH has established the Internal Audit Department, which verifies, in accordance with the "Internal Audit Regulations," whether INNOTECH's business operations are properly and effectively executed in accordance with laws, the Articles of Incorporation, and internal regulations. As of the date of submission of this report, the Internal Audit Department has two full-time employees.

#### (Status of Accounting Audits)

INNOTECH receives fair and non-biased accounting audits and provides corporate management information correctly, based on the Companies Act and the Financial Instruments and Exchange Act, appointing Deloitte Touche Tohmatsu LLC as its auditors.

### 2. Evaluation on the Effectiveness of the Board of Directors

INNOTECH has started its analysis and evaluation on the Effectiveness of the Board of Directors and continues to disclose such analysis and evaluation results since FY2015 (ending March 2016). During FY2020 (ending March 2021), INNOTECH conducted self-evaluation on the Effectiveness of the Board of Directors with all the Directors and the Audit & Supervisory Board Members as follows. This fiscal year, INNOTECH outsourced the creation and distribution of the questionnaire to a third party in order to obtain new objective viewpoints.

#### <Method of evaluation>

- (1) INNOTECH distributed the "Questionnaire on the Effectiveness of the Board of Directors" to all 9 Directors and all 4 Audit & Supervisory Board Members in March, 2021 through the third party's platform, and received their answers. The answers in the Questionnaire were taken anonymously so that the Directors and the Audit & Supervisory Board Members could answer with no reservation.
- (2) The answers were analyzed by their scores, and the comments and opinions were reviewed.
- (3) At the Board Meeting held in April, 2021, the Secretariat of the Board made an interim report with respect to the Evaluation on the Effectiveness of the Board of Directors, and explained the actual answers by each Director/Audit & Supervisory Board Member and presented the analysis results of the Questionnaire. At this Board Meeting, all the members reviewed the interim report and decided to make improvements based on the report.
- (4) At the Board Meeting held in May, 2021, the Outside Directors made the final report with respect to the Evaluation on the Effectiveness of the Board of Directors. After discussion, the Board officially confirmed and adopted the results of the FY2020 Evaluation on the Effectiveness of the Board of Directors.

#### <Items of the Questionnaire>

Major items of the FY2020 Questionnaire on the Effectiveness of the Board of Directors are as follow. Each item was evaluated by five grades and a respondent could provide comments freely as well. These items were provided by the outsourced third party, keeping consistency with the items from the year before, so that the answers will remain comparable to those from the year before.

1. Institutional Design and Structure of the Board of Directors
2. Roles and Expertise of the Board Members
3. Operation of the Board Meetings
4. Appointment/Election/Dismissal of the Directors
5. Performance Evaluation and Remuneration for Management
6. Nurturing System and Succession Plans of Management
7. Roles and Effective Execution of Duties by the Board of Directors

#### <Improvement Status of the Problems Identified the Year Before>

The Board of Directors and the Secretariat took following measures in FY2020, based on the results of the FY2019 Evaluation on the Effectiveness of the Board of Directors.

#### •Structure of the Board of Directors

Though the score of the FY2019 Evaluation on the Effectiveness of the Board of Directors on this item was not low, some members mentioned the need to enhance the Outside Officers' diversity of attributes and expertise. Therefore, Shino Hirose was proposed to be one of the Directors at the Annual General Meeting of Shareholders held in June, 2021. As Ms. Hirose was appointed, INNOTECH now has a female Director. Also, as she is an attorney, she brings legal knowledge to the Board.

#### •Deliberation by the Board of Directors

The score of the FY2019 Evaluation on the Effectiveness of the Board of Directors on this item was not low. But some members mentioned that deliberations on certain issues from mid-term and long-term point of views were not sufficiently made. Therefore, at the Board Meeting and the Management Meeting, the mid-term management plan and the analysis of long-term industry trends were discussed and deliberated. In addition, many questions were included in the FY2020 Questionnaire to identify issues which require deliberations from mid-term and long-term point of views. As for the issues, such as the “Sustainability Issues including Environmental and Social Issues”, and the “Diversity Issues (active participation of female and foreign nationality members)”, Shino Hirose was proposed to be one of the Directors as mentioned above, and the ESG/SDGs Promotion Meeting was established to coordinate the overall efforts and their progress on the SDGs by the INNOTECH Group.

#### <Evaluation Results of FY2020>

After the analysis and the discussions on the results of the FY2020 Evaluation on the Effectiveness of the Board of Directors, the following content was confirmed;

- Since a third party provided the Questionnaire, the scores of FY2020 cannot be directly compared with the scores of the year before, but the overall scores were not low. Thus, it was concluded that the Board of Directors is functioning effectively in general.
- As to the Institutional Design and Structure of the Board of Directors, it was concluded to be appropriate in general in terms of its scale, composition ratio, balance of expertise, concurrent positions held by the Board Members, and so on.
- As to the Roles and Expertise of the Board Members, it was evaluated that a training system for the Directors were not provided sufficiently. Various opinions were given with respect to the roles and expertise of the Board Members, but the evaluation score on this item was not low.
- As to the Operation of the Board Meetings, it was evaluated that discussions were made actively and they were appropriately operating.
- As to the Appointment/Election/dismissal of the Directors, the Performance Evaluation and Remuneration for Management, and the Nurturing System and Succession plans of Management, the evaluation results on these items were generally good, while some members suggested that there was room for improvement of the operation of the Advisory Committee. Some members also mentioned that discussions and efforts made by the Board of Directors to secure human resources and to provide a career path for employees to become future management were insufficient.
- As to Roles and Effective Execution of Duties by the Board of Directors, the evaluation results were generally good. Many questions were included in the FY2020 Questionnaire to identify issues to be discussed from mid-term and long-term viewpoints, however such issues were not specified enough.

#### <Future Issues>

##### •Education and training

The score of the FY2020 Evaluation might be affected by the decrease of communication under the COVID-19 pandemic and the changes of the items of the Questionnaire. INNOTECH will take measures with respect to the subject in the future.

##### •Sustainability and Diversity Issues

The score of FY2020 Evaluation was improved from the year before. INNOTECH will disclose its efforts on the subject until the year before on its corporate website and will further continue its efforts.

##### •Discussions at the Board Meeting

While the Directors' willingness to discuss various agenda items were highly evaluated, some members commented that the actual content of the discussions still had room to be improved while it was not rated as unsatisfactory. However such opinions were not clear enough to identify where and how to improve exactly and the agenda items proposed by some members were too vague to discuss. The Board Members must have specific expertise to discuss certain agenda items and there is also a viewpoint of segregation of business execution and supervision, thus this subject will require further consideration.

### 3. Reasons for Adopting the current Corporate Governance Scheme

INNOTECH believes that our most ideal corporate governance scheme is for the Board of Directors to be the center of authority and accountability so that they make realistic and agile administrative decisions and execute them, while the Audit & Supervisory Board are organizationally independent from administration and from the Board of Directors for ideal check and balance functions.

### III Measures Relating to Shareholders and Other Stakeholders

#### 1. Efforts to Invigorate General Meeting of Shareholders and Exercising of Voting Rights

	Supplementary explanation
Holding our General Meeting of Shareholders avoiding the date when many other companies hold their shareholders' meetings	Our General Meeting of Shareholders this year was held on June 24, 2021, avoiding the date when many other companies held their shareholders' meetings so that many shareholders could attend our meeting.
Voting by electromagnetic means	Shareholders may exercise their voting rights via Internet (including by cell phones).
Participation into the electronic voting platform and making other efforts to enhance the environment for institutional investors to exercise their voting rights	By introducing the electronic voting platform, INNOTECH is able to provide the content of the Notice of Convocation promptly to shareholders.
Providing the Notice of Convocation (summarized version) in English	INNOTECH provides the Notice of Convocation in English on the company website.

#### 2. Activities Relating to IR Updated

	Supplementary explanation	Presentation by Representative
Developing and announcing the disclosure policy	IR policy is referred to on the INNOTECH official corporate website; <a href="https://www.innotech.co.jp/english/ir/policy.html">https://www.innotech.co.jp/english/ir/policy.html</a>	
Holding periodic briefing sessions for individual investors	Briefing for individual investors was held online in June 2021.	Yes
Holding periodic seminars for analysts and institutional investors	Two seminars on our financial results (in May and November) are held every year. In May 2021 and November 2011, the seminar was held in webinar.	Yes
Posting of IR materials on the Company's website	INNOTECH provides materials such as financial highlights, financial statements, and IR calendar on the official corporate website. <a href="https://www.innotech.co.jp/english/ir/">https://www.innotech.co.jp/english/ir/</a>	
Establishment of a department (responsible person) in charge of IR	IR Contact: Corporate Planning Dept. TEL +81-45-474-9030 Management in charge of IR matters: Yoshinori Tanahashi, Representative Senior Managing Director	
Others	For the better understanding of the company, INNOTECH provides a seminar on our financial results on the official corporate website for a certain period of time.	

### 3. Efforts to ensure Due Respect for Stakeholders

	Supplementary explanation
<p>Establishment of rules to ensure due respect for stakeholders including company rules</p>	<p>In the Management Philosophy section of the official corporate website, INNOTECH provide “Our Vision”, “Our Actions” and the “INNOTECH Group Internal Code of Conduct and Ethics” and employees work hard on a daily basis to enforce them.</p> <p><a href="https://www.innotech.co.jp/corporate/rinen/">https://www.innotech.co.jp/corporate/rinen/</a> (written in Japanese only)  <a href="https://www.innotech.co.jp/english/corporate/csr/compliance/">https://www.innotech.co.jp/english/corporate/csr/compliance/</a></p>
<p>Environmental preservation activities, CSR activities, etc.</p>	<p><b>OISO</b>            INNOTECH have obtained ISO 14001 and ISO 9001 certification.</p> <p><b>OElectricity Usage Rationalization Committee Grand Prize</b>            In February 2018, we received the Kanto Region Electricity Usage Rationalization Committee’s highest award for the significant reduction of electricity consumption in our buildings.</p> <p><b>OResource-saving Measures and Recycling</b>            INNOTECH is working hard to go paperless, such as digitizing various forms and reports, distributing meeting materials electronically prior to the meetings and sharing such materials utilizing tablets, taking statistics of monthly total numbers of copies and printing materials and publishing such numbers inside the company to increase employees awareness and to motivate them to make further progress on going paperless.</p> <p><b>OParticipation in the Kanagawa Upcycle Consortium</b>            In Kanagawa Prefecture, where INNOTECH headquarter is located, a feasibility study for a so-called upcycling is conducted, utilizing “LIMEX” which is new material mainly made of limestone without using almost any water nor wood and turned into alternatives of paper and plastic. The word “upcycling” means to turn used materials to higher value-added materials than the original materials, while recycling means turning the used materials back to reusable materials (often with lower quality than original materials). INNOTECH supports the upcycling efforts and participates as one of the partner companies in the “Kanagawa Upcycle Consortium”, which promotes the upcycling models proposed by Kanagawa Prefecture.            INNOTECH utilizes LIMEX for its company brochures and we save 4.1 trees and 20,500 liters of water per 1,000 copies of our company brochures.</p> <p><b>OSupporting General Incorporated Association F・Marinos Sports Club</b>            YOKOHAMA MARINOS LTD., which is the parent organization of the Yokohama F. Marinos, a member team of the Japan Professional Football League (J. League), has founded the General Incorporated Association F. Marinos Sports Club to help accelerate the achievement of its objectives, such as “Realizing Sustainable Local Community” and “Nurturing Athletes who Compete Globally”.            The F. Marinos Sports Club engages in activities to enrich daily lives for people in its home town by promoting sports and physical activities and contributing to the local community, closely working together with the local administration and the residents through the “Fureai Football Project” and so on. INNOTECH supports F. Marinos Sports Club and assists people with various disabilities through management of the powerchair football tournament and other projects.</p> <p><b>OAssistance to the areas where the natural disasters struck hard</b>            INNOTECH Group is making financial contributions via Japanese Red Cross Society for the 2011 off the Pacific Coast of Tohoku Earthquake and the 2016 Kumamoto Earthquake.</p> <p><b>ONurturing the IT Expertise</b>            INNOTECH has financially contributed to Life is Tech Inc. which provides education for computer programming mainly to junior high and high school students. Its plan is to provide opportunities for education in the IT area for young people, women, and people from overseas who will lead our future and to contribute to addressing and resolving social issues.</p> <p><b>OSANEI HYTECHS Focusing on the STEM Education</b>            SANEI HYTECHS Co., Ltd. contributes to the local community and nurtures engineers who will lead the future science and technology through the so-called “STEM (Science, Technology, Engineering and Mathematics)” education by providing its original Kids Education Program (an education program on robotics for elementary school pupils), co-sponsoring the non-profit organization “FIRST (For Inspiration and Recognition of Science and Technology) Japan”, and so on.</p> <p><b>OOther Information</b>            Other environmental preservation and CSR activities will be posted on our website in the near future.</p>
<p>Establishment of policies for providing information to stakeholders</p>	<p>IR Policy is referred to on the INNOTECH official corporate website;  <a href="https://www.innotech.co.jp/english/ir/policy.html">https://www.innotech.co.jp/english/ir/policy.html</a></p>

## IV Matters Related to Internal Control System

### 1. Basic Views on Internal Control System and Progress of System Development

INNOTECH, in line with the Companies Act of Japan and the Ordinance for Enforcement of the Companies Act of Japan, establishes its “Basic Policy on Internal Management and Control” with a resolution of the Board of Directors. Also, INNOTECH organizes and operates its internal control system under the leadership of the Internal Management and Control Office which is established in the company. INNOTECH has set forth its “Basic Policy on Internal Management and Control” as follows.

- (1) Scheme to ensure that execution of duties by the Directors as well as employees comply with laws and regulations as well as articles of incorporation
  1. INNOTECH Group shall devise the “INNOTECH Group Internal Code of Conduct and Ethics” so that INNOTECH Group Directors will thoroughly comply with applicable laws and regulations and act sincerely.
  2. In the event that any of the Directors discovers any material violations of laws and regulations or of the company internal rules inside the company, such Directors shall, without delay, report such violations at the Board Meeting.
  3. INNOTECH Corporation shall designate the “INNOTECH Group External Whistleblowing Office” as a whistleblower System at INNOTECH Group.
- (2) Scheme for Maintenance and management of information and records related to execution of duties by the Directors
  1. INNOTECH Corporation shall appropriately maintain the records and manage information based on its company internal rules such as the “Document Management Rules” for any documents, electronic records and other important information related to its execution of duties.
  2. The Directors as well as the Audit & Supervisory Board Members may access to such documents and information any time
  3. INNOTECH Corporation shall establish an organization which is in charge of appropriate disclosure of company’s material information as well as other disclosure and the Directors shall immediately and thoroughly organize and appropriately disclose such information which must be disclosed under the applicable laws and regulations.
- (3) Rules and scheme to manage risk of loss
  1. INNOTECH Corporation shall establish the “Corporate Crisis and Risk Management Rules” which address risk management and any risk of loss which could take place at INNOTECH Group, as well as make sure that employees are fully informed and aware of INNOTECH Group measures against such risk.
  2. In the event of company crisis, INNOTECH Corporation shall immediately organize a special task force.
- (4) Scheme to ensure efficient execution of duties by the Directors
  1. Periodic Board Meetings shall be held monthly as a principle so that they will serve as the basis for efficient execution of duties by INNOTECH Group Directors; Extraordinary Board Meetings shall be held on a needed basis.
  2. Segregation of business shall be determined at the Board of Directors and duties of Directors shall be efficiently executed based on each Director’s authority set by the Administrative Authority Rules.
  3. Management Meetings shall be held periodically to set management policies and discuss and review important matters.
- (5) Scheme to ensure fairness of work at INNOTECH Group
  1. INNOTECH shall set up “Affiliate Companies Management Rules” to ensure fairness of work as a whole in INNOTECH Group
  2. Directors of INNOTECH Corporation shall also serve as the Group companies’ Directors so that the Group companies’ business status and other important matters are reported to them in a constant and appropriate manner.
  3. INNOTECH Corporation Internal Audit Office shall conduct audits of INNOTECH Group companies and ensure effectiveness and appropriateness of internal control throughout INNOTECH Group.
- (6) Matters related to employees who are requested by the Audit & Supervisory Board Members to assist their work as well as such employees’ independence from the Directors
  1. Employees who are requested to assist the Audit & Supervisory Board Members shall collect necessary information for audits conducted by the Audit & Supervisory Board Members based on such Audit & Supervisory Board Members’ instructions and directions and the employees shall appropriately report to such Audit & Supervisory Board Members with respect to the status and progress of their work.
  2. Activities of employees to assist the Audit & Supervisory Board Members shall not be unfairly prejudiced by the Directors and the Internal Audit Office.
- (7) Scheme for reporting to the Audit & Supervisory Board Members by the Directors as well as by employees and other reporting
  1. INNOTECH Group Directors and employees shall report their status and progress of work to the Audit & Supervisory Board Members as requested by such Audit & Supervisory Board Members as well as report other matters which may materially affect the company to the Audit & Supervisory Board Members.
  2. INNOTECH Group Directors and employees shall report matters related to their work to the Audit & Supervisory Board Members upon request from such Audit & Supervisory Board Members.
  3. Internal Audit Office as well as its related divisions shall report all the issues brought to the INNOTECH Group Whistleblowing Office to the Audit & Supervisory Board Members on a periodic basis.
  4. Any employees shall not be treated unfairly by reason of making reports to the Audit & Supervisory Board Members.
- (8) Other scheme for the Audit & Supervisory Board Members to conduct their audits effectively
  1. Audit & Supervisory Board Members shall comply with the audit policies and the audit plan set by the Audit & Supervisory Board and shall constantly exchange views and opinions with the Representative Director, accounting auditors and the Internal Audit Office.
  2. Audit & Supervisory Board Members shall attend important company meetings such as Board Meetings and go through materials which are used in such meetings to ensure effectiveness of their audits.
  3. Audit & Supervisory Board Members may consult with experts such as attorneys, certified public accountants, tax accountants and so on whenever they determine as necessary for their execution of work, and expenses for such professional services required by the Audit & Supervisory Board Members shall be borne by the company.
  4. In the event that the Audit & Supervisory Board Members request advance payment of expenses for their execution of work, the company shall promptly address such requests unless its necessity is denied.



(9) Scheme to ensure reliability of financial reports

In order to ensure reliability and properness of INNOTECH Group financial reports according to the Financial Instruments and Exchange Act of Japan, INNOTECH shall lay groundwork for its internal control under the instructions of the Representative Director; INNOTECH Internal Audit Office shall be in charge of execution of such groundwork and its evaluation from operational point of view.

(10) Fundamental policies and measures in eliminating antisocial forces

From the viewpoint of avoiding any involvement with and any influence from economic activities by the antisocial forces, INNOTECH Group shall devise the "INNOTECH Group Internal Code of Conduct and Ethics" as well as the "Rules to Counter Antisocial Forces" so that the employees will have official rules and guidance on how to counter antisocial forces and make efforts to eliminate them.

## **2. Basic Policy on Elimination of Anti-Social Forces and Status of Its Development**

The policy is set forth in "1. Basic Views on Internal Control System and Progress of System Development", paragraph (10) above, specifically as follows. INNOTECH Group recognizes that it is important not only from the standpoint of compliance but also from the standpoint of corporate defense to sever any relationship with antisocial forces. The Group clearly states in the "INNOTECH Group Code of Ethical Conduct" that "the Group shall sever any relationship, whether legal or illegal, with antisocial activities or forces that threaten the order and safety of civil society and obstruct economic activities. In accordance with the "INNOTECH Group Code of Ethical Conduct," all employees and others are required to fulfill their responsibilities to deal with antisocial forces.

If an employee receives an unreasonable request from an antisocial force, he/she is required to immediately report such information to the General Manager of the General Affairs and Personnel Department.

If necessary, we will work closely with police authorities and related organizations to develop a system that will enable us to respond in an organized manner.

## Others

### 1. Introduction of Defenses against Hostile Takeovers

Introduction of defense mechanism  
against hostile takeovers

None

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Supplementary explanations

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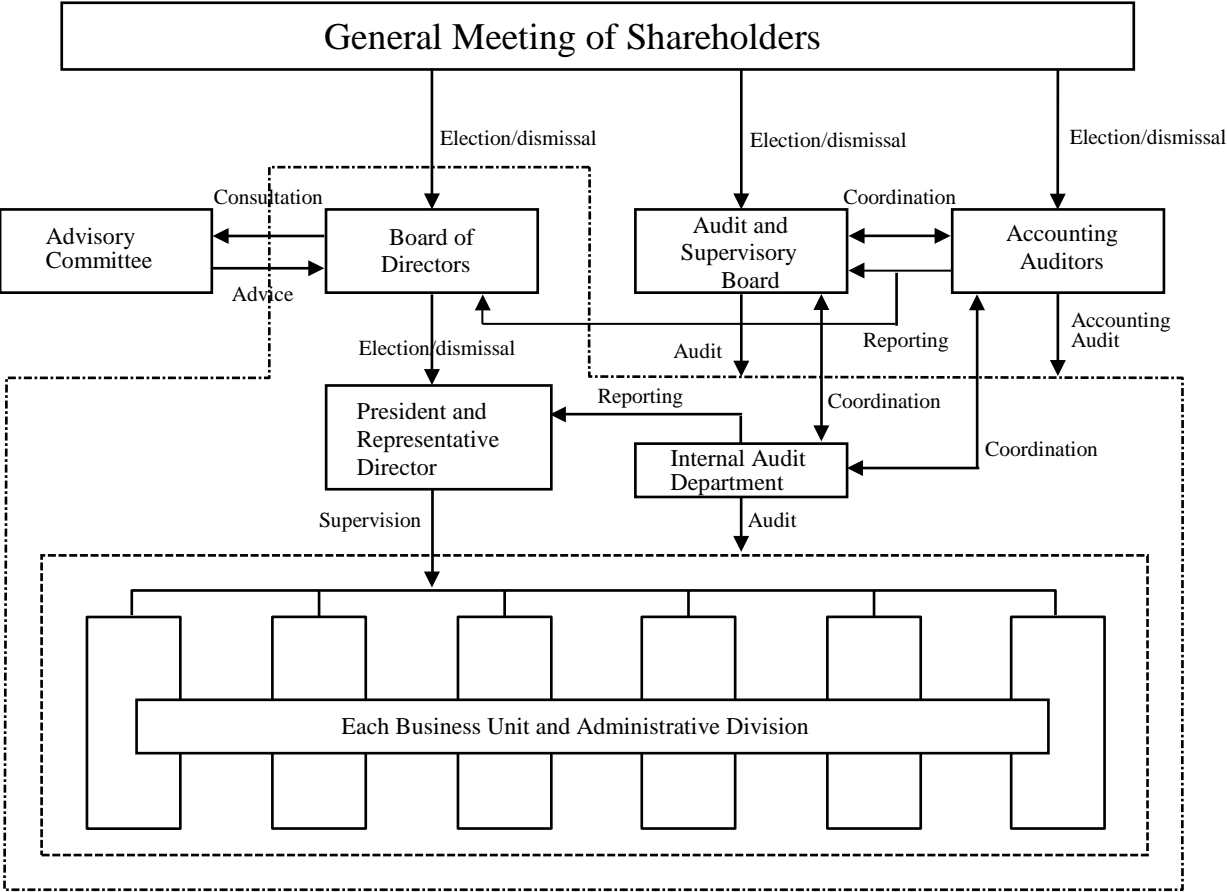
### 2. Other matters Concerning Corporate Governance System, etc.

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## Appendix: Reasons for Election/Appointment of Inside Directors

Position	Name	Reason for assignment
Chairman	Toshihiko Ono	In addition to a wealth of experience in the semiconductor industry and achievements in management for many years, Toshihiko Ono has been involved in the management of INNOTECH as Vice President and Representative Director since 2012, as President and Representative Director since 2013, and as Chairman since April 2021. He is assigned as a Director with the expectation that such experience will be continuously utilized in the management of INNOTECH.
President and Representative Director	Nobuyuki Otsuka	In addition to experience and a track record in launching and developing the semiconductor testing business of INNOTECH, Nobuyuki Otsuka has participated in the management of domestic and overseas subsidiaries, and has a wealth of experience in management. He has been involved in the management of INNOTECH as Representative Senior Managing Director since April, 2019, and as Representative Director since April, 2021. He is assigned as a Director with the expectation that such experience will be continuously utilized in the management of INNOTECH.
Representative Senior Managing Director	Yoshinori Tanahashi	Yoshinori Tanahashi has a wide track record of involvement in the management of fields such as finance and planning through his extensive experience in the financial industry and the corporate planning division of the operational company. He has been involved in the management of INNOTECH as Senior Managing Director since April, 2021. He is assigned as a Director with the expectation that such experience will be continuously utilized in the management of INNOTECH.
Managing Director	Yosuke Kaburagi	In addition to a wealth of experience in the embedded software and electronic components businesses, Yosuke Kaburagi has achievements in management for many years as President and Representative Director of a subsidiary of INNOTECH. He is assigned as a Director with the expectation that such experience will be continuously utilized in the management of INNOTECH.
Managing Director	Takashi Takahashi	In addition to a wealth of experience in semiconductor design software and design services, Takashi Takahashi has been involved in the management of such businesses at INNOTECH. Further, he has contributed to the development of new business as Representative Director of a subsidiary. He is assigned as a Director with the expectation that such experience will be continuously utilized in the management of INNOTECH.
Director	Choon-Leong LOU	Choon-Leong LOU has a wealth of experience in the semiconductor industries of Asia, Europe and the U.S., particularly Taiwan, China, and Singapore, and in addition has many years of managerial experience as founder of STAr Technologies, Inc., and has demonstrated strong leadership in the development of the said company. He is assigned as a Director with the expectation that such knowledge and experience will be continuously utilized to strengthen globalization of INNOTECH Group business, especially in the area of semiconductor testing business.

INNOTECH Corporate Governance System (Model Chart)



## Outline for Timely Disclosure System

INNOTECH believes that timely disclosure of corporate information is an important responsibility to fulfill as a publicly listed company in Japan. Thus, INNOTECH has built a thorough internal information management system and will continue to work hard to disclose appropriate information in a timely manner.

Our basic policy and our corporate internal structure for timely disclosure are as follow;

### 1. Standard of Information Disclosure

INNOTECH discloses corporate information which falls under the information to be disclosed appropriately and in a timely manner in accordance with the Financial Instruments and Exchange Act and other applicable laws and regulations as well as the Timely Disclosure Rules prescribed by the stock exchange where INNOTECH is listed in Japan. Also, as for information which does not fall under the information to be disclosed under the Timely Disclosure Rules, INNOTECH has a policy to disclose it proactively when INNOTECH decides that such information is important for the stakeholders, such as shareholders and investors to better understand the Company.

### 2. Disclosure Method

As INNOTECH discloses the information which is needed to disclose in a timely manner under the said Rules, INNOTECH also publishes such information on its website as soon as possible. In disclosing the information which is not needed to disclose under the Rules, INNOTECH works so that such information will be delivered appropriately to the stakeholders, considering the objectives of timely disclosure.

### 3. Company Internal Procedures for Timely Disclosure

- ① Material corporate information will be reported to the officer responsible for handling information and the officer responsible for handling information will deliberate the content as well as the necessity for Timely Disclosure of such information and report to the President and Representative Director if necessary. As for matters which require a resolution by the Board of Directors, such matters will be included in the resolution items of the Board Meeting.
- ② The Corporate Planning Department of the department which discloses information will fully understand facts related to the decisions made by the Company as well as facts which have occurred and consult with the parties involved whether such information needs to be disclosed or not, and report the consultation results to the officer responsible for handling information.
- ③ Corporate information which needs to be disclosed in a timely manner will be promptly disclosed by the Corporate Planning Department based on the instruction from the officer responsible for handling information, with a full understanding of the purpose and the mechanism of the Financial Instruments and Exchange Act and other applicable laws and regulations as well as the Timely Disclosure System prescribed by the stock exchange.

The chart below shows the said organization and flow;

