

# **Corporate Governance Guidelines**

Revised November 30, 2021

**IMAGICA GROUP Inc.**

# Corporate Governance Guidelines

## Chapter 1 General Provisions

Purpose:

Article 1

1. The purpose of these Guidelines is to generate sustainable growth and enhancement of corporate value for the group over the medium-to-long term by setting the most appropriate corporate governance guidelines for fulfilling its social responsibility to all stakeholders through implementation of the group Mission set by the group. (2.1)
2. The company's Board of Directors establishes and implements the "Corporate Code of Ethics." All parties working at the group work to implement the Group Management Philosophy in line with this code. (2.2, 2.2.1)

Group Mission:

We strive to create new value with honesty and sincerity,  
and aim to be a visual communications group that provides  
the world with surprise and excitement.

Our Values: 4we's

**We Lead**

To rapidly respond to changes in society and serve as an industry leader.

**We collaborate**

To apply our strengths as a global Group and one-stop service provider to provide customers with strong value.

**We serve**

To apply our advanced technology and spirit of sincerity towards meeting the needs of our customers, regardless of the situation.

**We discover**

To constantly search for the key to inspiring people and work towards improving our business.

Basic approach toward corporate governance:

Article 2

1. Our management philosophy is to create new value with honesty and sincerity and to be a visual communications group that provides "surprise and excitement" to people around the world. Recognizing that corporate governance is a key issue within group management in order to achieve these goals, we are working on various measures to improve management transparency, achieve compliance, and speed up decision-making. (3.1 ii)2. We supervise our subsidiaries to ensure that the various types of measures are implemented so that they can create a governance structure similar to that of the company.

Relationship to the Corporate Governance Code:

Article 3 We fully understand and verify the general principles, principles, and supplementary principles set forth in the Corporate Governance Code established by the Tokyo Stock Exchange and comply with each of those principles, except for those deemed inappropriate in light of the special characteristics of the company.

## Chapter 2 Relationship with Shareholders

Fiduciary responsibility:

Article 4

1. Recognizing that information disclosure is one of the most important management issues in order to fulfill their fiduciary responsibility to shareholders and enhance the common good of the company and shareholders, directors provide all stakeholders with the information they need, whether positive or negative, through information dissemination

- and dialogue. (4.2, 4.5)
2. The Board of Directors, which shareholders have delegated management to, sets the company's medium-to-long-term management strategy and allocates management resources as a company. In addition, the Board of Directors sets and makes public the Mid-Term Plan, specifies effective management indicators, and explains the qualitative and quantitative basis for achieving goals. (5.2)

Capital policy:

Article 5

1. We aim to improve capital efficiency by strengthening our financial position and allocating management resources to business fields where growth is expected, and to achieve this, we strive to enhance shareholder value by improving management efficiency through the introduction of effective management indicators and generating sustainable growth and enhancement of corporate value. (1.3)
2. From the perspective of strengthening business alliances and business relationships and collecting information, our company holds shares of companies that we believe will contribute to the improvement of our medium-to-long-term corporate value. For each of the shares, the Board of Directors verifies the appropriateness of holding the shares by examining whether the purpose of holding the shares and the benefits and risks associated with holding the shares are commensurate with the cost of capital, etc., and reduces the shares judged no longer rational to hold.

Cross-shareholdings:

Article 6

1. We exercise voting rights attached to the company's cross-shareholdings and decide, as appropriate, whether to vote for or against all proposals taking into consideration the business conditions of the company whose shares we hold from the perspective of enhancing the corporate value of the company in the medium-to-long term. (1.4)
2. If a company that holds our shares as cross-shareholdings expresses a desire to sell or otherwise dispose of those shares, we respect the wishes of the cross-shareholder and do not prevent them from doing so. (1.4.1)
3. When conducting business with a cross-shareholder, we fully examine the rationale for the transaction, just as we do with general business partners. (1.4.2)

Shareholder return:

Article 7 We position shareholder return as an important management matter. Our basic policy is to distribute earnings in line with consolidated results. We set a consolidated payout ratio target and aim to maintain stable dividends and increase the level of dividends. (1.3)

General Meeting of Shareholders:

Article 8

1. We implement appropriate measures to ensure that the rights of shareholders, including their voting rights at General Meeting of Shareholders, are guaranteed, and make an effort to create an environment in which shareholders can properly exercise their rights as well as ensuring their equality. (1, 1.2)
2. The General Meeting of Shareholders, which is composed of shareholders with voting rights, is the highest decision-making body, where we analyze the factors for and against all proposals and take the results of votes seriously. (1.1.1)

Respect for voting rights:

Article 9

1. When necessary, we provide information that we believe will contribute to shareholders making appropriate decisions at the General Meeting of Shareholders. (1.2.1)
2. In order to enable shareholders to appropriately exercise their voting rights, we send a 'Notice of Convocation of General Meeting of Shareholders,' etc. and announce the content on the company's website and in other ways approximately three weeks prior to the date of the General Meeting of Shareholders. (1.2.2)
3. We use an electronic voting platform for the convenience of the company's shareholders. We also monitor changes in the ratio of overseas investors and provide an English translation of the convocation notice. (1.2.4)

Protecting shareholder rights:

Article 10

1. When implementing capital policies that affect the interests of shareholders, we endeavor

- to promptly disclose and fully explain such information as the process for considering, and purpose for implementing, the policies, while taking into consideration the opinions of independent outside directors and the Audit and Supervisory Committee. (1.6)
2. Recognizing that the most important issue is to maintain sustainable growth and enhance corporate value, we do not currently plan to introduce anti-takeover measures. (1.5, 1.5.1)
  3. We stipulate in the company's Articles of Incorporation and Share Handling Rules how to exercise minority shareholder rights, etc. and in light of the importance of the rights of minority shareholders, we give sufficient consideration so as not to effectively hinder the exercise of such rights (1.1.3)
  4. If institutional investors or similar parties who hold shares in the name of a trust bank, etc. wish to exercise the voting rights themselves, attend or observe the shareholders' meeting, or take similar action, we consult with the trust bank, etc. and handle the situation appropriately. (1.2.5)

Ensuring equality of shareholders:

Article 11 We treat all shareholders equally according to the nature and number of shares and disclose information in a timely and appropriate manner so that there is no disparity in information among shareholders. (1)

Preventing transactions that are in conflict with the interests of shareholders:

Article 12

1. In order to protect the interests of shareholders, we strive to prevent officers and other company-related parties from engaging in transactions that are in conflict with the interests of the company and its shareholders through abuse of their positions. (1.7)
2. The company's Board of Directors Rules stipulate that approval of transactions between the company and directors and approval of competitive transactions with directors are matters to be deliberated by the Board of Directors. (1.7)

## Chapter 3 Corporate Governance Structure

Structure of the Board of Directors, Audit and Supervisory Committee, etc.:

Article 13

1. We have chosen to have an Audit and Supervisory Committee, and the Audit and Supervisory Committee audits the execution of duties by directors and executive officers.
2. In order to expedite decision-making and respond appropriately to the outside environment, our company has adopted an executive officer system that separates management supervision functions from business execution functions.
3. The Board of Directors identifies the skills, etc. that it should possess in light of the company's management strategy, and then appoints persons with such skills. The composition of the Board of Directors as a whole takes into consideration the balance and diversity of knowledge, experience, and abilities. (4.11, 4.11.1)
4. At least one-third of the company's directors are independent outside directors who meet the independence standards set forth by the financial instruments exchange and include those with management experience at other companies. This makes it possible to hold deliberations by the Board of Directors that are based on opinions independent from the perspective of the management team. (1.1.2, 4.8, 4.6, 4.7, 4.11.1)
5. We have established a Personnel Advisory Committee, which includes independent outside directors, as an independent advisory body to the Board of Directors. The Personnel Advisory Committee provides necessary advice on such issues as diversity and skills, when particularly important matters, such as the nomination of and compensation for members of the management team and directors (including succession plans), are being considered. (4.10, 4.10.1)

Responsibilities of the Board of Directors:

Article 14

1. The Board of Directors is responsible for supervising the execution of business and makes important decisions regarding the overall company through not only resolutions required by law but also deliberations and resolutions on matters that the Board of Directors Rules stipulate must be discussed by the Board of Directors. (4.1, 4.1.1)
2. We clearly set the responsibilities and authority of the Board of Directors and management team based on in-house rules stipulated by the Board of Directors, creating

- a system in which the Board of Directors operates in a manner that separates management decision-making and supervision from business execution, and the Board of Directors provides appropriate support for risk taking by the management team. (4)
3. We formulate the Mid-Term Plan and share the plan with shareholders and investors by making it public. (4.1.2)
  4. We prepare a skills matrix that lists the knowledge, experience, and abilities of each director and make the matrix available to the public. (4.11.1)
  5. We establish policies and procedures for the election of director candidates and the dismissal of directors, and make these available to the public. (4.3.2)
  6. The Board of Directors ensures that accounting auditors have sufficient time and a support system to conduct high quality audits. (4.3.2)
  7. The Board of Directors establishes policies and procedures for the election of director candidates and the dismissal of directors, and makes these available to the public. (4.3.3)
  8. The Board of Directors is actively involved in the formulation and operation of succession plans for the CEO and other officers based on the management philosophy and business strategy, and provides appropriate supervision so that there is sufficient time and resources to train successors in a planned manner. (4.1.3)

Operation of the Board of Directors:

Article 15

1. In order to contribute to lively deliberations by the Board of Directors, the Board of Directors Office submits agenda materials in advance, provides explanations in advance as necessary, and ensures time for deliberation through such steps as extending the length of meetings. (4.12, 4.12.1, 4.13.1)
2. Directors are notified in advance of the schedule of Board of Directors meetings and matters expected to be discussed.
3. To ensure that the Board of Directors functions properly, there is a mechanism for the Internal Auditing Office to report appropriately to the Board of Directors. (4.13.3)

Board of Directors evaluations:

Article 16 The Board of Directors conducts an anonymous survey of all directors regarding the operation of the Board of Directors and other matters, analyzes the effectiveness of the Board of Directors as a whole, and discloses a summary of the results. (4.11.3)

Directors:

Article 17

1. Directors (excluding directors who are members of the Audit and Supervisory Committee) are elected annually at the General Meeting of Shareholders for a term of one year.
2. Directors who are members of the Audit and Supervisory Committee are elected at the General Meeting of Shareholders for a term of two years.
3. Directors bear a duty of care and a duty of loyalty.
4. If a director serves concurrently as a director of other listed companies, we limit such positions to a reasonable number and disclose such positions.
5. When performing their duties, directors can request necessary information from the company's divisions and departments to fulfill their roles and responsibilities. (4.13)
6. When a third-party opinion and perspective are judged necessary for such operations as forecasting the medium-to-long-term market environment, verifying the effectiveness of the corporate governance system, and identifying market needs, the Board of Directors makes active use of outside experts, including consultants and attorneys, to examine the matter in question. Related expenses are borne by the company in accordance with in-house rules upon the request of a director, etc. (4.13.2)

Outside directors:

Article 18

1. We determine the independence of independent outside directors using the independence standards etc. indicated by the financial instruments exchange. (4.9)
2. When appointing an independent outside director, we nominate candidates who can be expected to contribute to frank, active, and constructive discussions at Board of Directors meetings, which is based on extensive deliberations by the Personnel Advisory Committee and Board of Directors. (4.9)
3. We appoint a sufficient number of independent outside directors with adequate qualifications to fulfill their roles and responsibilities related to contributing to the sustainable growth and enhancement of corporate value of the company over the medium-to-long term. (4.8)

4. We have a system in which opinions and requests from independent outside directors can be obtained when necessary through the secretariat, which is responsible for liaising and coordinating between the independent outside directors and the company. (4.13.3)
5. When necessary, independent outside directors hold meetings with full-time directors who are members of the Audit and Supervisory Committee to exchange objective opinions. (4.8.1)
6. We have a system in which independent outside directors, the Board of Directors Office, and the Audit and Supervisory Committee Office conduct pre-meeting explanations and communications with each director, and a liaison system has been formed with the Audit and Supervisory Committee. (4.8.2)

Audit and Supervisory Committee:

Article 19

1. The Audit and Supervisory Committee audits the execution of duties by directors and executive officers, decides on the content of proposals to be submitted to the General Meeting of Shareholders regarding the appointment, dismissal, or non-reappointment of accounting auditors, and conducts accounting audits and other activities required by laws/regulations.
2. In addition to receiving reports as required regarding the matters necessary for the above audits from directors, employees, the Internal Auditing Office and accounting auditors, the Audit and Supervisory Committee works to improve the quality of audits and implement effective audits by sharing necessary information with accounting auditors, the Internal Auditing Office, and corporate auditors of group companies. (4.13.1)
3. The Audit and Supervisory Committee fulfills its duties by establishing the Audit and Supervisory Committee Rules regarding necessary basic policies and procedures, and the Audit and Supervisory Committee Audit Standards regarding the audit system, auditing standards, and guidelines for conduct. (4.4)

Audit and Supervisory Committee Members:

Article 20

1. As members of the body that shareholders delegated authority to, Audit and Supervisory Committee members are responsible for ensuring the sound and sustainable growth of the company and establishing a high-quality corporate governance system by auditing the execution of duties by directors and executive officers. (4.4)
2. Given their full-time status, full-time Audit and Supervisory Committee members endeavor to maintain the audit environment and collect information, and they regularly monitor and verify the status of the establishment and operation of the internal control system.
3. In addition to Board of Directors meetings, full-time Audit and Supervisory Committee members participate in important meetings such as those of the Group Management Committee, proactively express their opinions as Audit and Supervisory Committee members, and actively share information with other outside Audit and Supervisory Committee members. (4.4.1)

Executive officers:

Article 21

1. Executive officers serve for a term of one year and are nominated annually by the President and Representative Director and elected by the Board of Directors.
2. Executive officers who concurrently serve as directors are responsible not only for supervising the company's management as directors but also executing duties in their own areas of responsibility as an executive officer.

Personnel Advisory Committee:

Article 22

1. The Personnel Advisory Committee is an independent advisory body to the Board of Directors, and deliberates on and examines the company's policies relating to the appointment (including succession plan) and dismissal of directors (including outside directors), compensation for individual directors, and the details of compensation for directors and executive officers, and reports to the Board of Directors. (4.3, 4.3.1)
2. The majority of the members of the Personnel Advisory Committee are independent outside directors, and we disclose the group's thoughts on the independence of and the authority and roles of the Personnel Advisory Committee. (4-10.1)
3. The Personnel Advisory Committee makes decisions based on the independence

standards etc. provided by the financial instruments exchange in order to appoint independent and neutral outside directors. (4.9)

Compensation, etc. for directors and executive officers:

Article 23

1. Compensation, etc. for directors and executive officers is determined appropriately in accordance with the provisions of the preceding articles and subject to deliberation by the Personnel Advisory Committee.
2. Compensation, etc. for directors and executive officers is decided based on compensation criteria and is composed of basic compensation, variable compensation, and restricted stock compensation in line with the Officer Compensation Program so that compensation functions as a sound incentive for sustainable growth in the medium-to-long term. (4.2.1)

Internal controls:

Article 24

1. In order to enhance the group's internal controls, the Board of Directors has compiled elements such as the basic stance toward and activity guidelines on internal controls into a Basic Policy for the Development of Internal Control Systems and implements the policy as both a system to ensure that the execution of duties by directors complies with laws, regulations, and the Articles of Incorporation in accordance with the Companies Act and a system to ensure the appropriateness of the corporate group's business. (4.3.4)
2. The Board of Directors supervises the implementation of the Basic Policy for the Development of Internal Control Systems with the help of the Internal Auditing Office. (4.3.4)

Whistleblowing:

Article 25

1. We maintain a whistleblowing system so that employees and others can communicate information on and convey sincere suspicions of illegal or inappropriate acts or information disclosure without fear of suffering detrimental consequences, and so that the information and suspicions communicated can be objectively verified and appropriately used. (2.5)
2. In addition to the in-house whistleblowing contact point, we have a whistleblowing contact point independent from the company at an outside law firm. (2.5.1)
3. In accordance with Hotline System Regulations, the content of reports received and the status of the response to such reports are appropriately shared with directors depending on the importance, and a full report is made to the Board of Directors after the case is closed. (2.5)

Accounting auditors:

Article 26

1. Recognizing that accounting auditors are tasked with ensuring the reliability of financial reporting and have an important role to play in implementing the best corporate governance, we implement measures to ensure proper audits.
2. The Audit and Supervisory Committee and related departments, such as accounting, finance, and business administration, collaborate to secure not only an audit schedule and audit system but also a system so that accounting auditors can conduct appropriate audits. (3.2, 3.2.2)
3. The Audit and Supervisory Committee sets appropriate selection and evaluation criteria regarding the independence of accounting auditors and systematized operations to manage the quality of audits. (3.2.1)

## **Chapter 4 Toward Sustainable Enhancement of Corporate Value**

Enhancement of corporate value:

Article 27

1. As a unique corporate group that conducts a wide range of businesses in the visual

communications field, the group strives to enhance its corporate value as the one and only creative and technology group to deliver visual communications globally through the collective strength of the group.

2. We recognize that appropriate collaboration with all stakeholders, including shareholders, is essential for the company to generate sustainable growth and corporate value in the medium term. (2)
3. In order to enhance corporate value in the medium-to-long term, we have set the group's direction and Mid-Term Plan in line with the group's management philosophy and principles, as well as the company's own policy on sustainability initiatives, and we have made this material available to the public. (3.1 i), 3.1.3, 4.2.2)

Cultivating management talent

Article 28

1. When directors are appointed, we provide them with not only an opportunity to receive an individual explanation of the company's management strategy, business operations, and financial position, as well as an orientation tour of the company's major operating companies but also opportunities for them to gather the information they need to fulfill their roles and functions. (4.14.1)
2. We provide training for directors, as necessary, on their legal duties and responsibilities as directors (Companies Act, Financial Instruments and Exchange Act), financial knowledge, corporate analysis, and case studies on judgment and behavior as directors, using outside training institutions. (4.14.2)

Diversity of talent:

Article 29

1. Recognizing that diverse perspectives and values that reflect different experiences, skills, and attributes can be a strength in ensuring the sustainable growth of the company, we formulate and promote a talent development policy and in-house environment development policy to ensure diversity of talent, including women, non-Japanese, and mid-career hires. (2.4.1)
2. We recognize that the advancement of women is essential for the company's future growth, and conduct evaluations that reflect abilities and achievements without distinction between gender at all stages, including recruitment and promotion, in order to promote the advancement of women. (2.4)

Addressing sustainability:

Article 30

1. Recognizing that addressing sustainability-related issues, such as consideration of climate change and other global environmental issues, respect for human rights, consideration of the health and working environment of, composition of, and appropriate treatment of employees, fair and impartial transactions with business partners, and risk management of natural disasters, are important business issues that not only reduce risks but also provide earnings opportunities, we proactively consider addressing these issues from the perspective of enhancing corporate value in the medium-to-long term. (2.3, 2.3.1).
2. The Board of Directors conducts effective supervision to ensure that the allocation of management resources and the implementation of strategies related to the business portfolio are consistent with the company's sustainable growth. (4.2.2)

## Chapter 5 Disclosure

Disclosure:

Article 31

1. We endeavor to provide clear and specific statements that accurately communicate important information about the company to shareholders, investors, and other stakeholders. (3.1.1)
2. When formulating and announcing the company's management strategy and management plan, we present the company's basic policy and goals regarding the business portfolio, earnings forecasts, and capital policy, and provide shareholders and investors with information on how we will achieve those goals. (5.2, 5.2.1)



3. We appropriately disclose the company's own sustainability initiatives. (3.1.3)
4. We work to improve the quality and quantity of information on the impact that climate change-related risk and earnings opportunities have on the company's business activities, earnings, etc. (3.1.3)
5. We maintain the thorough disclosure and provision of information, disclosing necessary information in English, and taking into account the percentage of the company's shareholders who are overseas investors or similar parties. (3.1.2)
6. If a director serves concurrently as a director of other listed companies, we limit such positions to a reasonable number and disclose such positions. (4.11.2)
7. The contents of these guidelines, matters in each article of these guidelines and matters required to be made public by law and regulations, are always available for public perusal.

Communicating with shareholders:

Article 32

1. We recognize that information disclosure is an important business challenge in order to deepen understanding of the group among shareholders and other stakeholders and to establish trust, and that it is essential to appropriately disclose information to gain their understanding. (3)
2. To achieve purposeful dialogue with shareholders, we have designated the Corporate Management Department as the department responsible for IR, created an IR system under the President and Representative Director, and work on fostering trust with shareholders. (5, 5.1, 5.1.2)
3. Within reason, we have senior management and directors, including outside directors, attend meetings with shareholders. (5.1.1)
4. Recognizing that the General Meeting of Shareholders is a forum for dialogue with shareholders, we set the date of such meetings to avoid days when many other companies hold their general meeting of shareholders so that as many shareholders as possible can attend. (1.2.3)

Blackout period:

Article 33 To prevent the leak of nonpublic financial information and to ensure fairness, we have set a certain period before the results announcement as a blackout period, during which the company refrains from answering questions regarding or commenting on financial results. (5.1.2 (v))

## **Chapter 6 Supplementary Provisions**

Revisions and repeals:

1. Revision and repeal of these guidelines are by resolution of the Board of Directors.

Enforcement:

2. These guidelines come into effect as of September 1, 2019.

Revisions:

3. Revisions to these guidelines come into effect as of November 30, 2021.