

ESG: Governance

Contents

- 49 Corporate Governance
- 52 Board of Directors
- 53 Interview with Outside Directors
- 55 Compliance
- 56 Information Security

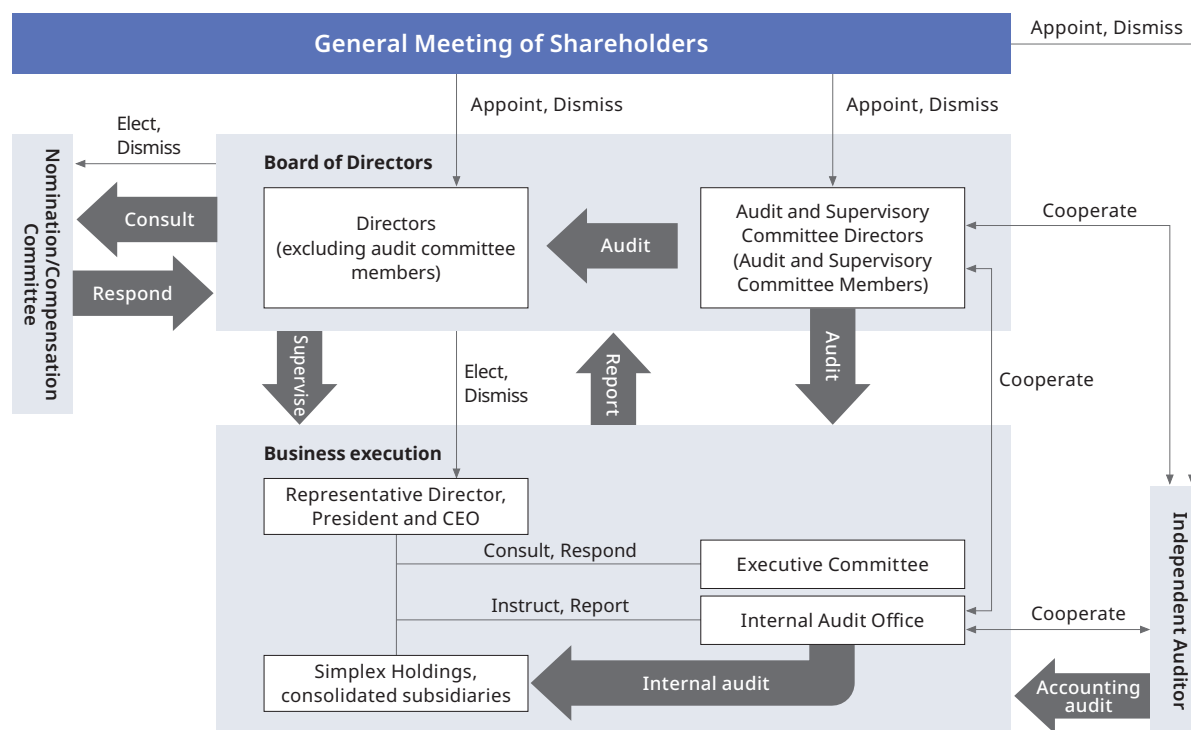
Corporate Governance

Corporate Governance Structure

We have adopted an audit and supervisory committee system to further enhance corporate governance by strengthening the supervisory function of the Board of Directors, as well as to improve management efficiency and enable prompt decision-making. Under the Companies Act of Japan, the Audit and Supervisory Committee is required to be composed of at least three directors and a majority of whom must be outside directors, and all five members of the Audit and Supervisory Committee are outside directors.

Independent Audit and Supervisory Committee members have voting rights at Board of Directors meetings, and the Audit and Supervisory Committee further enhances the management oversight function by proactively utilizing the internal control system to conduct audits. Furthermore, the Audit and Supervisory Committee strengthens and enhances the management oversight function by having an environment that allows the Committee members to voluntarily attend various meetings, including Executive Committee meetings, and by conducting inspection of the minutes of such meetings.

Corporate Governance Organizational Chart



Transition and Strengthening of Corporate Governance Structure

| | |
|------|--|
| 2016 | Simplex Holdings, Inc. established through a share transfer to transition to a holding company structure |
| 2021 | Transitioned from a company with an audit & supervisory board to a company with an audit and supervisory committee Nomination/Compensation Committee established as a voluntary advisory body to the Board of Directors |
| 2022 | Discloses skills matrix of directors |
| 2023 | Appoints female directors |
| 2024 | Issues Integrated Report |

Status of Corporate Governance Structure (as of June 30, 2024)

| | |
|--|---|
| Organizational structure | Company with an audit and supervisory Committee |
| Directors | 9 (including 5 outside directors) |
| Terms of office of directors | 1 year for directors not serving as Audit and Supervisory Committee members 2 years for directors serving as Audit and Supervisory Committee members |
| Directors serving as Audit and Supervisory Committee members | 5 (consisting entirely of outside directors) |

| | |
|----------------------------------|---|
| Voluntary committee | Nomination/Compensation Committee |
| Incentives provided to directors | Not provided |
| Independent auditor | Grant Thornton Taiyo LLC |
| Corporate Governance Report | Available on our website https://www.simplex.holdings/en/sustainability/governance/ |

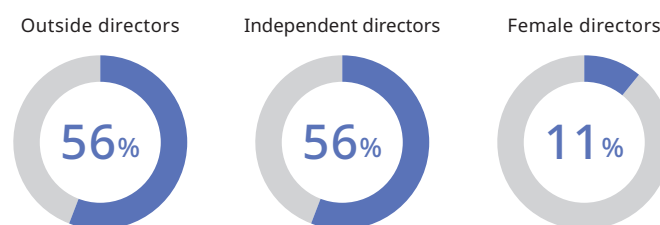


Board of Directors

The Board of Directors consists of the Representative Director, President and CEO, three executive directors, and five outside directors (nine members in total). Board members are selected so that the majority are outside directors. We aim to improve management transparency by revitalizing the Board as a decision-making body, developing a system to prevent fraud, and strengthening the management oversight function over the management team.

At the Board meetings, executive directors make regular reports on the status of their execution of duties and business performance. All directors engage in lively discussions on priority issues in response to changes in the business environment. Specifically, directors share issues related to the enhancement of human capital, discuss how to deploy talent, and share and discuss the latest technology and security issues. In each of these, the executive directors and outside directors discuss and consider matters that contribute to Simplex Group's medium- and long-term development from their own perspectives, rather than focusing solely on short-term performance trends.

Board Composition (as of June 30, 2024)



Number of meetings held and attendance rate

| | Number of meetings held | Attendance rate |
|---|-------------------------|-----------------|
| Board of Directors meeting | 13 times | 100% |
| Audit and Supervisory Committee meeting | 14 times | 100% |
| Nomination/Compensation Committee meeting | 2 times | 100% |

Executive Committee

The Executive Committee consists of the representative director, president and CEO and three executive directors. As an advisory body to a representative director, president and CEO, the Executive Committee meets at least twice a month in principle so that they can deliberate and assess important matters on the execution of the Company's business. By discussing a wide range of management issues, large and small, we have developed a system that can respond to the rapidly changing IT industry and flexibly implement corporate strategies.

Nomination/Compensation Committee

In order to enhance the transparency and objectivity of the deliberation process in the election and dismissal of directors and the compensation system, a voluntary Nomination/Compensation Committee has been established as an advisory body to the Board of Directors. Matters on the election and dismissal of directors and compensation are first heard by the Nomination/Compensation Committee, and then determined at the Board meeting based on the content of the Committee's report. The Nomination/Compensation Committee consists of at least three members elected from among the directors of the Company, with the majority of committee members being outside directors.

Analysis and evaluation of the Board effectiveness

During the fiscal year ended March 31, 2023, we analyzed and evaluated the Board effectiveness as a whole based on each director's self-assessment. As a result, the Board was evaluated as having effective governance and efficient operation, thereby ensuring effectiveness, given that the majority of the Board members consists of outside directors with diverse experience and knowledge. At the same time, there were requests for the appointment of more diverse talent, considering gender diversity, and for more information sharing on medium- to long-term corporate strategies.

Policy and Process for Determining Director Compensation

Compensation for directors (excluding Audit and Supervisory Committee members) is initially discussed by the Nomination/Compensation Committee, and then determined by the Board of Directors based on the content of the Committee's report. This is subject to the maximum amount of compensation determined by a resolution of the General Meeting of Shareholders. Compensation for directors serving as Audit and Supervisory Committee members is decided through discussions among all Audit and Supervisory Committee members.

The policy for determining the individual compensation for directors (excluding Audit and Supervisory Committee members) is resolved by the Board of Directors as per the proposal prepared in advance by the Nomination/Compensation Committee. The specific decision-making policy is as follows.

- All individual compensation of directors (excluding Audit and Supervisory Committee members) shall be paid in the form of monthly cash compensation and bonuses that are not linked to performance.
- The Nomination/Compensation Committee shall determine the proposed amount of monthly cash compensation based on comprehensive consideration of factors such as position, responsibilities, years in office, individual contributions, and the Company's business performance.
- The Nomination/Compensation Committee shall make a proposal on bonuses as cash compensation when it deems it necessary to provide appropriate incentives after comprehensively considering the Company's business performance and other factors.
- Bonuses as cash compensation shall be paid within three months after the end of the fiscal year.

The Board of Directors has confirmed that the method of determining the details of the compensation, and the details of the individual compensation for directors (excluding Audit and Supervisory Committee members) for the fiscal year ended March 31, 2024 are consistent with the decision policy approved by the Board of Directors and therefore, determined that the compensation is in line with the decision policy.

Director Candidate Selection and Dismissal Policy and Process

With respect to the election of directors, the Company selects candidates who are of excellent character and insight, and who possess a wealth of experience and expertise appropriate for serving as directors of the Company. In addition, for the election and dismissal of directors, the Nomination/Compensation Committee, whose majority of members are outside directors, has been established as an advisory body to the Board of Directors to make initial proposals. In addition, in the notice of convocation of the General Meeting of Shareholders, the reasons for electing each candidate as a director are explicitly stated.

Internal Control

Based on our Basic Policy on Internal Control Systems, we strive to ensure appropriateness and efficiency in execution of duties by directors based on thorough compliance with laws and regulations and understanding of social ethics. Specifically, the Audit and Supervisory Committee audits whether the execution of duties by directors complies with laws and regulations, and ensures its effectiveness by utilizing the internal control systems. In addition, the Internal Audit Office, which reports directly to the representative director, president and CEO, evaluates the operation of internal controls.

Cross-shareholdings

With respect to cross-shareholdings, we hold the appropriate number of shares in another company based on the results of due diligence only when it is deemed reasonable to hold the shares, such as when it contributes to the enhancement of the Company's corporate value over the medium to long term through the maintenance and strengthening of business relationships as well as the maintenance and development of business partnerships. We exercise our voting rights for all cross-shareholdings. In exercising such rights, we make decisions about whether to approve or reject each proposal after careful consideration based on criteria such as whether it will lead to enhancing the corporate value of both Simplex Holdings and the investee company or whether it will damage the corporate value of both companies.

Constructive dialogue with shareholders

In order to achieve sustainable growth and enhance corporate value, we recognize the importance of sincerely listening to the expectations, concerns, and requests of our shareholders and investors through constructive dialogue, and appropriately reflecting them in the improvement of IR activities and the strengthening of business activities. Under the strong leadership of top management, we aim to conduct IR activities that always convey clear corporate messages with passion, and we will continue to work to build relationships of trust with our shareholders and investors. Regarding IR activities during FY3/2024, we held 193 individual meetings with analysts and institutional investors, six small meetings with institutional investors, four financial results briefings for analysts and institutional investors, and one company information session for individual investors. In addition, we held our first shareholders' reception since our relisting (and the first in 11 years), and more than 200 shareholders attended. The reception was attended by our management team, including our outside directors, as well as the management team of Simplex, our core group company, and we had a lively exchange of opinions with our shareholders.

[Reference] Frequently asked questions from shareholders and investors

(For questions on business areas, please see Strategy by Business Area (pages 28-32).)

Macro environment

- Q. What are the reasons for the solid demand in the DX market in Japan?
- Q. Why are you less susceptible to the effects of the external environment, such as the financial crisis?

Growth strategy

- Q. Why are you aiming for the expansion in the non-financial domain?
- Q. Why can you achieve a high level of gross profit margin even in the non-financial domain?
- Q. What is your competitive advantage in the non-financial domain?
- Q. How do you acquire clients in the non-financial domain?
- Q. Why do you focus on the Japanese market in MTBP2027?

Client base

- Q. Are there any changes in the top 10 clients in terms of revenue?
- Q. Why are your systems almost never replaced by competitors' systems?

Competitive environment

- Q. What kind of companies do you compete with?
- Q. What is your competitive advantage in DX support?

New graduate recruitment

- Q. How have you enhanced your brand in the new graduate market?
- Q. How long does it take for new graduates to become ready for working on projects?

Mid-career recruitment

- Q. Are the compensation levels you offer competitive?
- Q. What is your competitive advantage in the mid-career recruitment market?

Recruitment in general

- Q. Who are the competing firms when hiring?
- Q. How do you analyze the factors that contributed to the decreased turnover rate?
- Q. What are the characteristics of your business partners in the Direct Client Engagement model?
- Q. How do you expect the proportion of employees and business partners to change in the future?
- Q. What do you think about diversity?

Culture

- Q. How do you intend to maintain your corporate culture in the future?
- Q. Why is there no halation with Xspear and Simplex?

Corporate history

- Q. Why did you choose the MBO?
- Q. What measures have you focused on in the course of growth since the MBO?

Business model

- Q. What makes your gross profit margin so overwhelmingly high?
- Q. Why can you acquire IP rights?

Capital allocation

- Q. How do you plan to improve ROE?
- Q. How should I understand your recognition of goodwill and the risk of impairment?

M&A

- Q. What are your criteria or policies for M&A?
- Q. How do you plan to ensure the culture fit after the acquisition?

Stock

- Q. What is your policy for the founding members' shareholdings?
- Q. What are your thoughts on the incentive program for officers and employees?

Board of Directors

| | | | | | | | | | |
|---|--|---|---|--|---|---|---|---|---|
| |  |  |  |  |  |  |  |  |  |
| Name | Hideki Kaneko | Kozo Sukema | Masataka Soda | Keisuke Enosawa | Ryoza Akiyama | Noriyuki Ogasawara | Mari Takahashi | Yasuto Hamanishi | Naoto Hirota |
| Position | Representative Director, President and CEO | Vice President and Co- COO | Vice President and Co- COO | Director and CFO | Director (Audit and Supervisory Committee Member) Outside Independent | Director (Audit and Supervisory Committee Member) Outside Independent | Director (Audit and Supervisory Committee Member) Outside Independent | Director (Audit and Supervisory Committee Member) Outside Independent | Director (Audit and Supervisory Committee Member) Outside Independent |
| Audit and Supervisory Committee*1 | | | | | ◎ | ○ | ○ | ○ | ○ |
| Nomination/Compensation Committee*1 | ○ | | | | ○ | ◎ | | | |
| Appointed as Director in | December 2016 | March 2021 | March 2021 | March 2021 | March 2021 | March 2021 | June 2023 | July 2022 | July 2021 |
| Attendance at Board of Directors meetings | 13 / 13 | 13 / 13 | 13 / 13 | 13 / 13 | 13 / 13 | 13 / 13 | 11 / 11*2 | 13 / 13 | 13 / 13 |
| Number of shares held*3 | 10,728,800 shares | 446,900 shares | 158,900 shares | 93,450 shares | 2,300 shares | - | - | - | - |
| Reason for Appointment | Mr. Hideki Kaneko has been appointed as Director because he has been responsible for the management of the Group as Representative Director, President and CEO since 2000 and has promoted the formulation and implementation of management strategies for many years. Therefore, we believe that he will continue to promote the business of the Group and contribute to enhancing the corporate value. | Mr. Kozo Sukema has been appointed as Director because he has extensive business execution experience and achievements in a wide range of business areas as Co-CEO and has contributed to the expansion of the Group through deep-diving into clients. Therefore, we believe that he will continue to contribute to enhancing the corporate value of the Group. | Mr. Masataka Soda has been appointed as Director because he has contributed to acquiring new clients in a wide range of business areas as Co-CEO, including the promotion of the new businesses launch as Representative Director and President of Xspear Consulting, Inc. Therefore, we believe that he will continue to contribute to enhancing the corporate value of the Group. | Mr. Keisuke Enosawa has been appointed as Director because he has extensive business execution experience and achievements in the corporate division as CFO and has contributed to strengthening governance and improving organizational capabilities. Therefore, we believe that he will continue to contribute to the sustained growth of the Group by leveraging such experience and knowledge. | Mr. Ryoza Akiyama has been appointed as Outside Director because he has a wealth of knowledge gained through his work experience at a major general consulting firm and his many years of experience as a representative director. Therefore, we expect that he will provide useful advice for us to make appropriate decisions on the deployment of our business strategies. | Mr. Noriyuki Ogasawara has been appointed as Outside Director because he has abundant experience and extensive knowledge in corporate planning, human resources, and systems divisions of financial institutions. Therefore, we expect that he will help ensure soundness and appropriateness of our management decision-making from a comprehensive perspective. | Ms. Mari Takahashi has been appointed as Outside Director because she has gained many years of experience in and insight into the legal profession, particularly by handling numerous trials as a public prosecutor and an attorney. Therefore, we expect that she will supervise and advise our directors on executing their duties from a professional perspective, particularly for strengthening the governance and compliance of our corporate activities. | Mr. Yasuto Hamanishi has been appointed as Outside Director because he has many years of experience and insight in financial institutions, including his experience as general manager and global head of the global investment banking division and outside director of Mizuho Securities USA. Therefore, we expect that he will leverage such knowledge to provide useful advice particularly on our overseas operations from a high-level perspective. | Mr. Naoto Hirota has been appointed as Outside Director because he has a wealth of experience in and extensive insight into business execution and corporate management at financial institutions and other firms. Therefore, we expect that he will help strengthen the management supervisory function to ensure soundness and appropriateness of our corporate activities. |
| Experience and skills possessed | Corporate management | ● | ● | ● | ● | ● | ● | ● | ● |
| | IT/Technology | ● | ● | ● | ● | | | | |
| | Finance/Accounting | | | | ● | | | ● | |
| | Internationality | ● | | | ● | | | ● | ● |
| | HR/Talent Development | ● | ● | ● | | ● | ● | | |
| | Legal/Compliance | | | | ● | ● | ● | | ● |

*1 ◎ and ○ denote chair and committee member, respectively.

*2 The attendance at Board of Directors meetings of Ms. Mari Takahashi reflects after her appointment as Director on June 16, 2023.

*3 The number of shares held represents the number of shares beneficially held by each director

Interview with Our Outside Directors

Practicing Governance for the Future

Ryozo Akiyama and Mari Takahashi kindly took the time to speak with us on behalf of the outside directors. Director Akiyama supports the Simplex Group in making appropriate decisions on business strategies based on his extensive knowledge gained at a major international general consulting firm and his many years of experience as a CEO. Meanwhile, Director Takahashi contributes to the enhancement of Simplex Group's governance and compliance by leveraging her many years of experience and insight as a prosecutor and lawyer. As experts in their respective fields, they share how they perceive the strengths and governance of our Group.

Strengths of the Simplex Group and its current state of governance

– From the standpoint of an outside director, what do you feel are the strengths of Simplex Group?

Akiyama: The Simplex Group's strengths are its solid business foundation, accurate grasp of its core competencies, and clear understanding of what it can and cannot do. From a business perspective, we believe that the field of systems development is very unlikely to become obsolete in the near future. Furthermore, with megabanks and major online securities firms as our major clients, our Group is involved in system development that is comparable to social infrastructure. This is an area that cannot be reached by any one individual, no matter how advanced his or her technical capabilities, but can only be achieved by combining the collective knowledge of an organization such as our Group. It can therefore be said that we have built a solid foundation that cannot easily be supplanted by other companies.

On the other hand, in today's rapidly changing world, it is a major risk to remain content with the status quo. Under these circumstances, our Group is taking on ambitious challenges while maintaining a solid business foundation, and at the same time demonstrating a unique competitive edge that other companies do not have. We recognize this as one of the Group's major strengths.



Ryozo Akiyama

Outside Director
Chairperson of Audit and
Supervisory Committee/
Nomination and Compensation
Committee Member

Mari Takahashi

Outside Director
Audit and Supervisory
Committee Member

Takahashi: I believe that Simplex Group's strength lies in its "organizational climate," which has been fostered through years of accumulated effort. As a lawyer, I often have the opportunity to analyze investigation reports of companies that have been involved in misconduct. What many of these companies have in common is a problem with the organizational climate. Strict deadlines and excessive quotas become the order of the day, and a lack of awareness of corporate ethics and compliance makes it easier for misconduct to occur.

Against this backdrop, I have come to realize (through discussions at our Board of Directors meetings and interviews with our executive directors) that our management philosophy and values, including our 5DNAs code of conduct, are deeply ingrained throughout the company. Each and every employee has a common understanding of "doing the best possible job for the client," and the entire team works together to drive business forward. Furthermore, they take pride in their work and earn the trust of their clients. I am convinced that this kind of organizational climate is a far cry from that of a company prone to scandals, and is one of the Group's greatest strengths.

– How do you view the current state of governance at the Simplex Group?

Akiyama: The most important aspect of governance is for the Board of Directors to have the ability to stop management from making decisions or to replace the management team when problems arise. In this regard, the majority of our board consists of outside directors, and we have a system in place to ensure sufficient checks and balances.

President Kaneko's leadership, which is both aggressive and prudent, is the source of Simplex Group's growth. Bringing in outside experts in their respective fields as board members helps us to determine the right balance between defensive and offensive measures. In the decision-making process, we aim for multifaceted discussions that incorporate global trends, and we believe that our role is to add value in terms of transparency and logic.

– What are the Simplex Group's strengths and challenges when it comes to governance?

Takahashi: As I mentioned earlier, our Group is one based on trust in team members and the organization, with a high sense of commitment to achieving our objectives. At the same time, we are anticipating the expansion of the organization in line with our proactive recruitment activity. In my professional career, I have seen many instances where inherent weakness of human beings under certain stressful circumstances can lead to a scandal or misconduct. In the process of adding new associates and expanding the size of an organization, it is easy for irregularities to occur. In these situations, it is important to remember that “people are weak.”

Going forward, we believe it is important for the Group to be vigilant of these risks and to expand and improve mechanisms for the early detection and prevention of misconduct. For example, when we have conducted training on the operation of whistle-blowing systems at other companies, we have found cases where the systems and mechanisms were in place but did not actually function the way they were supposed to. However, there is always room for improvement through various measures. In the case of the Simplex Group, we believe that it is important not only to have systems in place but also to ensure they function effectively in practice and are continuously improved.



Toward further sophistication in governance

– As outside directors, you both also serve as Audit and Supervisory Committee members. What is the atmosphere like at Board of Directors meetings and Audit and Supervisory Committee member meetings?

Akiyama: We have outside directors with a variety of backgrounds and knowledge, which ensures diversity of thinking. Discussions are open and frank, and there is never an atmosphere in which it is difficult to express an opposing opinion. Outside directors are also given sufficient authority, and I do not feel that there are any systemic problems. The other outside directors are also making full use of this system. The division of roles between the Audit and Supervisory Committee members and the Board of Directors is also clear, and I feel that the role of auditing the execution of business by the directors is functioning as it should.

Takahashi: It has been a year since I became an outside director, and likewise, I have never found it difficult to express my views. What matters most at board meetings is the substance of what is being said, not the speaker's gender or age, and I feel that this is an environment that accepts diversity as a matter of course. President Kaneko and all board members are open to diverse opinions at our board meetings, which fosters productive discussions.

One specific episode occurred during a regular meeting with President Kaneko, when we asked him about his perception of gift compliance (rules regarding company dinners and gifts between companies). President Kaneko, in turn, asked about cases and approaches at other companies, and agreed there was a need to expand our efforts in this area. Furthermore, at the board meeting held immediately after the interview, all board members shared the recognition that further attention to gift compliance was necessary to avoid damaging corporate value.

Prior to my appointment as an outside director, I had some concerns that President Kaneko's strong drive to push the business forward as a founder of the company might lead him to have a high tolerance for risk. However, through this experience, I realized that he is someone who genuinely listens to the opinions of those around him, and exhibits strong leadership as a CEO.



– Finally, please tell us what you are most enthusiastic about for the future.

Akiyama: Active discussion and communication are essential for generating new ideas. To facilitate more multifaceted discussions within the Board of Directors, we could consider inviting various experts, including overseas professionals, as board members. I believe it is important to continue embracing challenges under proactive governance by incorporating diverse perspectives.

In addition, although we have ample opportunities to discuss issues with management at board meetings, we feel that there are fewer opportunities to communicate with employees on the ground. In particular, we would like to increase communication with younger employees, as their innovative perspectives and ideas are often the driving force behind a company's growth.

Takahashi: I am the only female director in the current structure. From the time of my appointment to the present day, I have never felt any gender differences in individual discussions, but I do wonder whether the Board of Directors is fully aware of all issues when it comes to individual employees. In this sense, going forward, I would like to have opportunities to meet with individual employees, being mindful of diversity, and bring any concerns they have to the board's attention.

Furthermore, we intend to contribute to enhancing corporate value by making recommendations based on the expertise and knowledge we have cultivated, including the expansion of mechanisms for the early detection and prevention of misconduct.

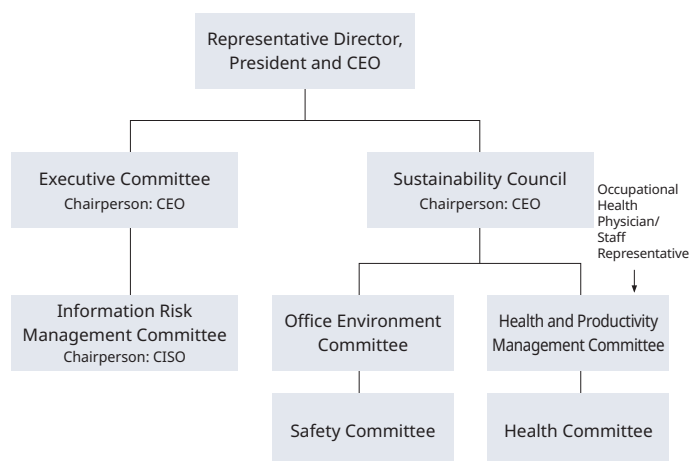
Compliance

Compliance and Risk Management Structure

As human capital management and product quality and safety are two of the materiality issues identified, the management structure places particular emphasis on compliance with respect to employee occupational health and safety and cyber security/data security.

With regard to employee health and safety, the Health and Productivity Management Committee and the Office Environment Committee have been established under the Sustainability Council to examine specific issues and take relevant measures while complying with laws and regulations concerning occupational health and safety. In addition, the statutory Health Committee and Safety Committee are organized under the Health and Productivity Management Committee and the Office Environment Committee, respectively. The Health and Productivity Management Committee is chaired by a director of the Company who oversees the Health Committee, and seeks the participation of occupational health physicians and employee representatives. As such, under a consistent management system, the Committee plans, drafts, and implements measures that contribute to the maintenance and improvement of the physical and mental health of employees and their family members, and the resulting increase in productivity.

Compliance and Risk Management System Diagram



For the management of risks associated with cyber security and data security, we have appointed a Chief Information Security Officer (CISO) to manage compliance risks pertaining to compliance with the Personal Information Protection Act and laws and regulations related to economic security. The CISO is also the director in charge of the Group's administrative divisions to serve as a check and balance on the operating divisions. Furthermore, the Information Risk Management Committee has been established as an advisory body for the CISO, consisting of the general managers of each division and other members, to resolve issues based on information collected from the entire Simplex Group in a bottom-up manner.

Professional ethics

In order to ensure compliance, it is important for each and every employee to discipline themselves as a member of the organization under our management philosophy and to fulfill our social mission. We strive to foster compliance awareness so that our employees can act not only in compliance with laws, regulations, and contracts, but also with high ethical standards in accordance with social norms.

Fair Competition

We have established a basic anti-corruption policy and take strict measures to prevent corruption, including the offering of bribes to public officials. We are also committed to complying with laws and regulations concerning fair competition and business transactions, including the Anti-Monopoly Act and the Subcontract Act (Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors).

Ensuring effectiveness in compliance with laws and regulations

In accordance with the Internal Reporting Regulations, we have established an internal reporting desk operated by an external third-party lawyer as the contact person. In the event of receiving a report of a compliance violation or other incident, we have put a system in place to properly investigate the matter and implement corrective measures to the relevant departments. In addition, the Internal Audit Office, consisting of the head of the Internal Audit Office and seven staff members, conducts internal audits with the aim of enhancing compliance as a company, let alone contributing to the improvement of business performance and the safeguard and utilization of assets.

Implementation of compliance training

With the aim of strictly prohibiting insider trading that violates the Financial Instruments and Exchange Act, we have established Rules for Preventing Insider Trading and strives to ensure thorough information control. With regard to trading of shares by the Simplex Group's officers and employees, we have established strict periods during which trading is prohibited, and put in place approval procedures and other procedures for trading, as well as training and testing for all employees and business partners.

In addition, as part of efforts to prevent bribery and other corrupt acts and excessive business entertainment mainly against domestic and foreign public officials and deemed public officials, we have established a reporting and approval system and conducts anti-corruption training for our employees.

Business development mindful of human rights

We develop our business mindful of human rights. In doing so, we have established a basic human rights policy that sets priority issues based on the results of analysis of the types of human rights that could pose a risk of serious human rights violations in the Group's business activities, as well as the severity of the assumed risk of human rights violations. Please refer to the Sustainability website for details of the Simplex Group Basic Policy on Human Rights.

Efforts to Eliminate Antisocial Forces

We take a resolute stance against antisocial forces and will immediately end any relationship with them as one of our basic policies. In accordance with the Rules for Elimination of Antisocial Forces and the Implementation Guidelines for Background Check for Relationships with Antisocial Forces, we have put in place a system to eliminate transactions and other relationships with antisocial forces. With respect to our business partners, we perform procedures to confirm that they have no relationships with antisocial forces prior to starting business with them and on a regular basis as well. In addition, candidates for officers are also subject to the same procedure prior to submitting a proposal for election to a general meeting of shareholders. We also confirm with employees that they have no relationships with antisocial forces and require them to submit written pledges.

For more extensive information, please visit our website

<https://www.simplex.holdings/en/sustainability/>



Information Security

Initiative to ensure information security

With financial institutions as our main clients, we believe that systemic risk countermeasures in cyber security are critically important. Based on this belief, we are building an infrastructure backed by solid security, developing systems compliant with the FISC Security Guidelines^{*1} to prevent financial systemic risks, and conducting system audits by the Internal Audit Office on a regular and ad-hoc basis.

Since our founding, we have consistently engaged in business with an advanced awareness of information security and accumulated extensive expertise and experience in this area. Specifically, we have established the Basic Policy on Information Security and have adopted robust security measures for software and hardware in our internal systems to thoroughly prevent the leakage of confidential information. In addition, we are constantly striving to improve security awareness and knowledge of all employees through monthly theme-specific training sessions and an annual comprehension measurement test.

Furthermore, in light of the importance of maintaining confidentiality in business-to-business transactions as well as the confidentiality of personal information handled by clients, we have established the Personal Information Protection Policy and develop and provide robust products and services under strict control.

Third-party certification

We have obtained security-related certifications from third-party organizations to ensure that our clients can use our systems safely and securely. For internal control, we have obtained the SOC1 Type 2 Report and SOC2 (Security) Type 2 Report^{*2}, whereas for information security, we have obtained the Information Security Management System (ISMS)^{*3} certifications for each solution. The acquisition of these third-party certifications not only enhances our information security, but also improves the reliability of the systems provided by the Simplex Group.

Services covered by SOC1 and SOC2

| | |
|---|---|
| A)SOC1 Type2 Report | System integration services associated with Simplex Inc.'s solutions/Operation and maintenance services/Subscription (ASP) services |
| B)SOC2 Type2 Report (Applicable criteria: Security) | System integration services associated with Simplex Inc.'s solutions/Operation and maintenance services/Subscription (ASP) services |



Scope of ISMS (ISO27001) Registration

| | |
|---|---|
| 1 | Software development, maintenance, operation and provision of service infrastructure for FX (foreign exchange margin trading) systems |
| 2 | Software development, maintenance, operation and provision of service infrastructure for cryptoasset systems |
| 3 | Cloud system development, maintenance, operation and provision of service infrastructure for financial institutions |

IS577203 / ISO27001



- *1 FISC Security Guidelines are a set of guidelines and explanatory notes on security measures for computer systems for financial institutions, etc., established by the Financial Information Systems Center (FISC) as voluntary guidelines for financial institutions, etc. in Japan
- *2 A report that expresses an assurance opinion based on an objective evaluation from a third-party perspective regarding SOC (System and Organization Controls), a framework for evaluating and reporting on internal control over fiduciary services at a fiduciary company, as provided by the American Institute of Certified Public Accountants (AICPA).
- *3 A system in which a third party examines and certifies that an organization has put in place a management system for confidentiality, integrity, and availability of information security as well as a management system by repeating the PDCA cycle.

Simplex-CSIRT Initiatives

Cyber-attacks targeting the vast amount of client data, financial assets and cryptoassets held by companies are becoming more sophisticated, and the required level of security measures and resilience is increasing every year.

Simplex-CSIRT was established in 2017 as a team dedicated to centrally control security across Simplex Group to strengthen organizational security and achieve effective security against the abovementioned threats.

The Simplex-CSIRT is responsible for developing security policy, guidelines and rules, providing education and training, responding to any incidents, and review security in system development, operation and maintenance; primarily in the following two areas: Group-wide security management and the provision of security services for the commercial systems we provides to our clients.

Group-wide security management involves security checks when using non-standard software and external services, dissemination of vulnerability information, response to customer audits, and security training.

On the other hand, in the provision of security services for commercial systems we provides to our clients, Simplex is responsible for defining security requirements, design, solution selection, implementation, and operation for the commercial systems we provide, in cooperation with project members.



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