

June 13, 2025

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Progress Report on Implementation of Measures to Prevent Problem Recurrence in HIS Group

In response to fraudulent or improper receipt of employment adjustment subsidies by our group, we are working to prevent recurrence of this problem, as described in the "Notice of Measures to Prevent Recurrence" dated March 31, 2025. We would like to report on the progress of these measures to prevent recurrence as of June 13 as follows.

1. Fostering compliance awareness

We have implemented the following measures: We have communicated message from the top of compliance and governance to the presidents of our subsidiaries, who in turn have communicated the message internally within their companies, thereby unifying compliance awareness and sharing policies throughout the group. We then had outside instructors conduct risk and compliance training, first for our directors. We are now building training for all levels of the group and will continue to implement this training on an ongoing basis.

2. Strengthening group governance

The Subsidiary Governance Review Committee, chaired by an independent outside director who is also a member of the audit committee, has been established as an advisory committee to prioritize and review issues with input from experts. The committee has already replaced some subsidiary directors who were found to have committed fraud and is reviewing the tenure of all group company directors and discussing criteria for appointment duration and other issues.

In order to strengthen the administrative structure of subsidiaries, we are working to increase the number of personnel, and are also incorporating expert opinions to review and improve our management structure. For domestic subsidiaries, we have reviewed our regulations for affiliate administration and have added items concerning public subsidies. We also review the current situation of our overseas subsidiaries to consider appropriate corresponding.

In addition, the Risk and Compliance Committee has been positioned as an advisory committee to improve the risk management function for the group as a whole and we will verify countermeasures again and monitor them, which will lead to early detection of risks and countermeasures.

3. Review of internal controls for public subsidy applications

We have revised our Affiliated Company Management Regulations to clarify the rules for subsidy applications and reporting to the parent company for our domestic subsidiaries. and will disseminate these rules within the group and put them into operation. As internal control at the parent company, we are building an

application and administration workflow and will operate constraint functions through this workflow.

4. Thorough labor management

We are studying new methods for attendance management and trying out mechanisms for monitoring for any divergence between attendance records at the parent company and the actual state. We are also in the process of establishing training for human resource staff at our companies, who are the second line to promote labor management monitoring at each subsidiary. At the same time, we are verifying the state of labor management etc., at domestic and overseas subsidiaries and studying measures appropriate to each.

5. Promoting awareness and utilization of the whistleblowing system

In order to enhance the credibility of the whistleblowing system, the president of the parent company has sent message from the top to the entire group, disseminating the contact point and reiterating that it is reliable. Messages will continue to be sent out periodically promoting use of the whistleblowing system.

In addition, we will establish and operate another external contact that can be selected when it is difficult to report to the existing external contact due to the content to be reported. Increased utilization of the whistleblowing system will lead to the prevention and early detection of problems.

6. Review of internal audit system

We have revised the internal audit regulations to ensure the independence of the internal audit system from the management team and to strengthen its authority. We are already reviewing our auditing methods and policies and are working to upgrade our risk approach in order to ensure efficient and effective internal audits and will continue to do so. We are working to increase staffing levels and at the same time to improve the expertise of existing staff by providing them with training and other opportunities for development.

We will continue the activities of the Subsidiary Governance Review Committee and studies and improvements in relevant departments in order to prevent a recurrence and restore confidence.

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.