

September 12, 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 September 12 as follows.

1. Fostering compliance awareness

As described in our "Progress Report on Implementation of Recurrence Prevention Measures in HIS Group" dated June 13, 2025, we have made awareness of compliance issues uniform throughout the Group through Group-wide notifications of messages from top management, and risk and compliance training conducted by external instructors for Group executives.

We continue to conduct ongoing training that targets executives and employees at all levels within our Group, and are currently conducting training that relates to labor laws and regulations and labor management (awareness training based on case studies to create awareness of the risks involved in attendance management).

In addition, we promote the spread of compliance awareness within our Group by distributing e-mail newsletters twice a month with different themes that utilize educational materials and content (such as examples from other companies, case studies, mini-tests, etc.), making compliance more accessible and engaging.

2. Strengthening group governance

In order to address weaknesses in Group governance, the Subsidiary Governance Review Committee that was established in April 2025 will hold a series of discussions on the criteria for appointment, term of office, and evaluation system for all Group company directors and officers, and incorporate these rules into the Affiliated Companies Management Regulations, to prevent management from becoming entrenched at subsidiaries. We will continue to review our subsidiary management systems and promote the enhancement of Group governance over the long term.

Furthermore, our Company is striving to strengthen communication between the parent company and its subsidiaries by promoting the sharing of information around issues that arise. To increase the frequency of communication between the parent company and subsidiaries, the Affiliated Management Division and the Global Business Strategy Division participate in key meetings of major domestic subsidiaries and overseas regional headquarters.

3. Review of internal controls for public subsidy applications

As a result of our Company's Revision of Affiliated Company Management Regulations implemented in June 2025, applications for public subsidies etc. were added as items to be reported to our parent company. Rules were clarified regarding the management of subsidy applications and reporting to our parent company by domestic subsidiaries, which initiated internal group awareness and operational procedures. In relation to public subsidies at the parent company level, we have established a workflow that includes internal control systems for public subsidy applications and management, operation of which has begun.

4. Thorough labor management

In order to compensate for insufficient understanding of labor laws and regulations, we have provided training on labor laws and regulations and on labor management for domestic second-line attendance managers.

Furthermore, we are gradually implementing a new method for managing attendance, that comprises a system for monitoring deviation between attendance records and actual circumstances. For domestic subsidiaries, we have decided to introduce the same system as ours at subsidiaries that were found to have received improper payments, while other subsidiaries are considering whether or not to introduce a system, considering their respective circumstances. Overseas subsidiaries are currently establishing a monitoring system for labor management.

5. Promoting awareness and utilization of the whistleblowing system

In order to increase the confidence in the whistleblower system, we are promoting its use by such activities as sending out regular monthly information dispatches to the entire Group, and continuing to engage in awareness-raising activities. We are measuring the level of confidence in the system with compliance-awareness surveys currently being conducted throughout our Group.

Our Group has considered there is a possibility that the existing external consultation service may be hesitant for potential whistleblowers about making reports that relate to our directors because the necessary internal response is performed by our employees, so in September 2025 the Audit Committee of the Board of Directors started new internal response operations. We hope that further utilization of internal reporting will lead to early detections that prevent problems before they occur.

6. Review of internal audit system

Revisions have been implemented to our internal audit regulations with the aim of strengthening independence and authority of the Internal Audit Division. In addition, we are progressively increasing the number of employees and continue to provide external training courses for the purpose of improving specialization, and follow-up internal study sessions.

Additionally, we are continuing to use data analysis to review audits for irregularities, in order to improve the efficiency and effectiveness of our internal audits.

We will continue to work towards restoring trust with ongoing implementation of measures to prevent recurrence of these events and to affect improvements.

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.
