

**Material Issues: 2023 Results and Progress Overview**

Key Themes	Material Issues	KPI	Target	Planned Due Date	Scope of Target <sup>1</sup>	Fiscal 2023 Results			
						Result vs. Target	Reflecting on Results and Looking Ahead	Main Initiatives and Topics	
Development, mobilization of a diverse team of professionals	Strengthening of human capital	(Human resource recruiting) Employee count	Consolidated headcount of over 4,200 employees	2024	Consolidated	3,652 people (+ 264 people YOY)	<ul style="list-style-type: none"> <li>Proactively promoting recruitment with goal of increasing headcount by 1,000 people on a consolidated basis over three years (FY2020–2024)</li> <li>On a non-consolidated basis, recruitment branding measures led to an increase in student applications, resulting in the highest-ever number of new graduate hires (joining in April 2024)</li> <li>At the same time, with regard to mid-career recruitment, in line with needs in each department, we will also make use of internal human resources through internal recruitment and reassignment efforts</li> </ul>	<ol style="list-style-type: none"> <li>Increased recognition through recruitment branding measures (implemented March 2023), including advertisements in train stations, newspapers, and online media.</li> <li>New graduate hires (non-consolidated) in April 2023: 92 people (1.3 times YOY). Expecting 148 people to join in April 2024 (1.6 times YOY).</li> <li>Mid-career hires (non-consolidated) in fiscal 2023: 141 people (1.4 times YOY).</li> <li>Promoted the use of various channels including direct recruiting and an employee referral system in recruiting mid-career personnel.</li> <li>The Company included in 12 external website and magazine rankings that are influential in recruitment (ranked 10th among “Companies with high annual income and positive atmosphere” by <i>Shushoku Shikiko</i> magazine; 1st among “300 companies with high retention rates of new graduates after three years” by Toyo Keizai Online; and 4th among “Companies highly regarded by mid-level and experienced employees” by OpenWork).</li> </ol>	
		(Human resource development) —	—	—	—	—	—	<ol style="list-style-type: none"> <li>Provided a wide range of educational programs in line with employee skills and areas of specialization. Number of applicants grew to 3,223 employees (+58% YOY).</li> <li>Training per employee amounted to 67.6 hours per year (+25% YOY).</li> <li>Under the human resource development policy “Each Individual is a X Innovator: Becoming an organization that maximizes ‘personality’ and takes joy in self-transformation,” promoted human resource development system and policy improvements and updates (detailed measures are published in the Integrated Report and on the Company’s website).</li> </ol>	
		(Others) —	—	—	—	—	—	—	<p>Revised non-consolidated personnel system in January 2024.</p> <ul style="list-style-type: none"> <li>Increased base salaries an average of 10.7%, up to a maximum of 12.0% (also raised new graduate starting salaries by ¥30,000)</li> <li>Created new consultant positions</li> </ul>
	Promotion of Diversity, Equity, and Inclusion(DE&I)	Percentage of female managers	8%	2026	Non-consolidated	5.8% (+ 0.3 pp YOY)	<ul style="list-style-type: none"> <li>Increased percentage of female managers YOY</li> <li>With the aim of steadily producing female managers, we will continue to plan and promote measures, including next-generation female leader training and the cultivation of networks within and outside the Company</li> <li>In terms of disseminating information pertaining to each of these measures, going forward, we will continue to communicate the Company’s approach and position on promoting the active participation of women throughout the company and strive to cultivate a corporate culture that promotes the active participation of women</li> </ul>	<ol style="list-style-type: none"> <li>On International Women’s Day (March 8), held dialogues attended by female and male employees for the purpose of thinking about women’s workstyles.</li> <li>Held “community lounge” event to provide an opportunity for female employees to discuss their perspectives on career and work, and expand their internal network.</li> <li>Selected and dispatched female leader candidate development program participants.</li> <li>Ongoing implementation of the “Ambitious Workshop” to consider career options (in FY2023, expanded from women only to a mixed gender format).</li> <li>On January 1, 2024, appointed the company’s first female executive officers (two employees) and fellow (one employee).</li> </ol>	
		Percentage of female hires	20% or more (average over the last three fiscal years)	Every year	Non-consolidated	20.6% (-2.3 pp compared with FY2020–2022 average)	<ul style="list-style-type: none"> <li>Among new graduate recruitment, a higher than usual number of male entries led to a slight decrease in the percentage of female hires</li> <li>Continue to expand the female student population through the production of articles and videos, recruitment branding efforts, and other measures specifically targeting female students</li> </ul>	<ul style="list-style-type: none"> <li>Implemented career support measures targeting female students</li> <li>Watashi-goto Career Lab* (Tokyo Woman’s Christian University x Takihiyo x ANA Airport Services x ISID)</li> <li>Conducted new graduate recruitment events for female students</li> <li>Produced video of roundtable discussion among female employees (published July 2023)</li> <li>Interviews with six female employees and information on systems related to women’s life events (pregnancy, childbirth, and childcare) posted on the new graduate recruitment website (published January 2024)</li> </ul> <p>* Jointly hosted career education event for first- and second-year university students</p>	
	Facilitation of workstyle transformation	(Health management) Percentage of employees receiving regular health checkups	100%	Every year	Non-consolidated	(Compiling) April–March 2024 figures compiled	—	<ul style="list-style-type: none"> <li>Enhanced guidance aimed at encouraging regular health checkups among new graduate and mid-career hires</li> <li>Thoroughly strengthened follow-ups encouraging early health checkups among employees not yet checked</li> </ul>	
		(Engagement) Engagement score	Improve scores obtained from survey conducted by Great Place to Work® Institute Japan	Every year	Non-consolidated	Positive responses: 72% (+1 pp YOY)	<ul style="list-style-type: none"> <li>Positive responses increased by 1pp, attained Great Place to Work certification for second year in a row</li> <li>In FY2024, internal communication, such as dialogues between the new President and employees, will also be enhanced to further increase engagement</li> </ul>	<ol style="list-style-type: none"> <li>Continued to implement companywide measures to promote dialogue between employees and their supervisors/colleagues (1-on-1), invigorate workplace communication, and boost employee career development support.</li> <li>Collaborated and exchanged opinions with employee representatives on the Great Place to Work survey results and conducted additional surveys, the results of which will be reflected in future measures.</li> </ol>	
		(Work–life balance) —	—	—	—	—	—	<ol style="list-style-type: none"> <li>Male staff childcare leave-takers: 51.5% (Down 1.5% YOY).</li> <li>Childcare leave return rate: 100% for men and women (same as in FY2022).</li> <li>Supported diverse working styles with systems that enable employees to change work location for specified reasons on a short-term basis, support medical treatment while working, and facilitate domestic holiday workcations.</li> </ol>	
	Solution of social, environmental issues; provision of new value through our businesses	Contribution to the resolution of social and environmental issues	Technological investment	Cumulative three-year investment of ¥17.0 bn	2024	Consolidated	¥3.5 billion (+¥0.2 billion YOY) (¥6.8 billion two-year cumulative total)	<ul style="list-style-type: none"> <li>Of the planned ¥17.0 billion three-year cumulative total, the current outlook stands at ¥12.0 billion</li> <li>Made steady progress in functional enhancements to mainstay proprietary software products and the development of new solutions in the area of corporate and social transformations, important new areas of business</li> <li>Developed two new solutions in the Smart City area (administrative platform Minnect introduced in 24 municipalities; CIVILIOS urban OS introduced in seven municipalities)</li> </ul>	<p>Examples efforts aimed at addressing material issues (left)</p> <ul style="list-style-type: none"> <li>Launched Know Narrator ChatGPT solution for corporate clients</li> <li>Launched HUMAnalytics total HR solution supporting human capital management</li> <li>Launched the non-financial value survey service using big data to analyze the impact of non-financial activities on corporate value</li> <li>Formed a strategic business alliance with AVL (Austria) for the rapid development of high-quality products supporting the manufacturing industry</li> </ul>
		Creation of new businesses through open innovation	—	—	—	—	—		
Demonstration of our technological implementation capabilities		—	—	—	—	—			

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Establishment of governance systems worthy of stakeholder trust	Strengthening of corporate governance	Evaluation of Board of Director effectiveness	Ensure and improve effectiveness	Every year	Consolidated	Assessment ensuring effectiveness	<ul style="list-style-type: none"> <li>The FY2023 evaluation of Board of Directors effectiveness was conducted via individual interviews with all Board of Director members by outside experts, as well as opinions exchanged at Board of Directors meetings, in addition to the existing questionnaire survey</li> <li>While Board of Directors was evaluated as effective through the above activities, we recognized issues related to enhancing the discussion of medium- and long-term strategies including investments, and strengthening the Board's supervisory system for nomination and remuneration</li> <li>In FY2024, we will promote initiatives to address the aforementioned issues with the aim of maintaining the effectiveness of the Board of Directors</li> </ul>	<ol style="list-style-type: none"> <li>After receiving approval at the March 2023 Ordinary General Meeting of Shareholders, we adopted a corporate governance structure defined as a company with an audit and supervisory committee.</li> <li>Among the nine members comprising the Board of Directors, more than half (five) are independent Outside Directors, and three are women (comprising 33%).</li> </ol>
	Enforcing of ethical compliance and respect for human rights	Serious violations of laws and regulations	0	Every year	Consolidated	1	One incident occurred in a domestic Group company. We will thoroughly enhance compliance awareness through employee education.	<ol style="list-style-type: none"> <li>Issued questionnaires on harassment at the Company and domestic Group companies (Group overall average response rate: 91%) for early detection, rectification of problems. Individual interviews conducted with those requesting them.</li> <li>Conducted training at the Company and domestic Group companies to disseminate the results of the above questionnaire and promote awareness of the Ethics Helpline System (non-consolidated participation rate: 85.2%).</li> <li>Conducted training related to anger management and human rights targeting the Company and domestic Group company employees.</li> <li>Acted on whistleblower reports in a timely and appropriate manner (with no serious incidents affecting business operations).</li> </ol>
		Percentage of employees receiving (e-learning-based) training related to ethics and compliance (including harassment training)	100%	Every year	Domestic group	98.5% (+2.4 pp YOY)	<ul style="list-style-type: none"> <li>Attendance increased 2.4 pp YOY</li> <li>In FY2024, we will thoroughly follow-up with employees who have not attended with the aim of achieving a 100% attendance rate</li> </ul>	
	Application of appropriate risk management practices	—	—	—	—	—	—	Identified the most critical risks facing ISID and its domestic, and overseas Group companies; formulated and executed risk response plans; monitored risks. Submitted reports three times per year to the Board of Directors, which provides supervision.
	Undertaking of quality improvement	Review board implementation rate	100% (proposals valued at ¥100 mn or more)	Every year	Non-consolidated	100%	<ul style="list-style-type: none"> <li>Achieved a 100% implementation rate</li> <li>We will maintain efforts to increase the quality of our system development service and strengthen initiatives aimed at eliminating unprofitable projects</li> </ul>	<ol style="list-style-type: none"> <li>Monitored monthly status of RB results, system development projects deemed high risk by artificial intelligence (AI) assessments, and reported to Management Council.</li> <li>Optimized criteria for holding RBs starting in FY2024 according to risk status of development projects. Shifted resources to address high-risk projects.</li> <li>CMMI<sup>2</sup> compliant standard development process<sup>3</sup> applied companywide to development projects. In FY2023, two process improvements were implemented and 187 employees passed certification exams (PM<sup>3</sup> and QR<sup>4</sup> certification).</li> <li>Established a Quality Management System (QMS) for organizational quality improvements in accordance with ISO9001.<sup>5</sup> This system commenced operations in FY2024, and several departments plan to acquire ISO9001 certification in FY2025.</li> </ol>
	Enhancing of information security management	Annual number of Company-wide security education, training sessions	Six (one session held every two months)	Every year	Non-consolidated	Six (one session held every two months)	Conducted companywide security education in accordance with plans (education content distribution: four times; email training: twice).	<ol style="list-style-type: none"> <li>Introduced and commenced operation of tools that enhance the vulnerability management of software constituting client project websites and the Company's service-related websites that are live on the internet.</li> <li>Conducted a comprehensive vulnerability inspection of the Company-related websites that are live on the internet by simulating attacks from the attacker's point of view.</li> <li>Renewed ISO/IEC 27001<sup>6</sup> certification.</li> <li>ISID CSIRT<sup>7</sup> members conducted biannual desktop training to strengthen ability to respond to incidents.</li> <li>Since April 2023, we have been conducting monthly security education for newly hired the Company's employees and new partner employees (attendance rate: 100%).</li> <li>In January 2024, the Cybersecurity Promotion Department was established to further strengthen information security systems.</li> </ol>
Number of serious leaks of client project-related information, personal information		0	Every year	Domestic group	1	<ul style="list-style-type: none"> <li>In May 2023, an unauthorized access by an external attacker occurred to the Company's remote access equipment. The cause was the exploitation of a vulnerability in the equipment. Due to the possibility that some personal information may have been leaked outside the Company, action was taken in accordance with the Act on the Protection of Personal Information (this incident was disclosed on the Company's website on June 6, and July 5, 2023). To prevent recurrence, we have implemented the following measures, both of which are already in operation: (1) Improved the existing vulnerability information collection process to ensure completeness of information, and (2) introduced a new vulnerability management service.</li> </ul>		

Notes:

- Non-consolidated: only applies to Information Services International-Dentsu, Ltd. (ISID; currently DENTSU SOKEN INC.); domestic group: includes all ISID (DENTSU SOKEN) Group companies in Japan; consolidated: includes all ISID (DENTSU SOKEN) Group companies outside Japan.
- Capability Maturity Model Integration, a widely used international development program.
- Project Manager.
- Quality Representative.
- Quality management system international certification standard.
- Information security management system international certification standard.
- Generic term for organizations that receive reports and conduct activities related to information security incidents.