

The corporate governance of the ID Group is described below.

## I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information

### 1. Basic views

The ID Group perceives “increasing corporate value in an ongoing manner” to be of top priority in its management. With this in mind, we are working steadily to improve our corporate governance and monitoring functions in accordance with the following guidelines: (1) Assurance of transparency and soundness through the separation of management and execution; (2) Speedy decision-making and execution of business (3) Clarification of accountability; (4) Prompt and appropriate/fair disclosure of information.

The Group has published its basic views concerning corporate governance on its website as “Corporate Governance Guidelines” (hereinafter, “the Guidelines”).

URL: <https://www.idnet-hd.co.jp/corporate/policy.html>

### Reasons for non-compliance with the principles of the Corporate Governance Code Updated

The description below is in accordance with the Corporate Governance Code as revised in June 2021.

[Supplementary Principle 4.11 (1) Approach to Diversity in the Board of Directors]

The Board of Directors of the ID Group is composed of Directors with diverse backgrounds in terms of professional knowledge, experience and other aspects, in a number the Group deems optimal for effective and efficient execution. In selecting officers, the Group carefully considers diversity in terms of gender, international outlook, work experience and age, while maintaining an appropriate number of members. Outside Officers are selected primarily from among persons such as those with experience in corporate management at other companies, academia/education and engineering, as well as in professions such as accounting.

The Group’s current roster of three Outside Directors do not have experience in management at other companies but are all Independent Outside Directors, possessing a wealth of experience in other fields as well as a wide range of perspectives. The Group will continue to make every effort to employ an appropriate number of Outside Directors of suitable diversity.

More information on the diversity and individual skills of the Group’s Directors and Auditors can be found on the Group website.

(Skill Matrix and Diversity of the Board of Directors)

URL: <https://www.idnet-hd.co.jp/corporate/policy.html>

### Disclosure based on the principles of the Corporate Governance Code Updated

The description below is in accordance with the Corporate Governance Code as revised in June 2021.

[Principle 1.4 Cross-shareholdings]

(1) Policy on cross-shareholdings of listed shares

To support and strengthen business relationships and improve medium-to-long term corporate value, the Group sometimes holds shares in business partners and others. Each year the Board of Directors scrutinizes individual cross-shareholdings in detail, examining whether the purpose of each cross-shareholding and its risks and benefits are suitable in terms of its capital cost. The Board of Directors discloses the results of these examinations and, if it deems that continuing to hold the shares is no longer reasonable, sells the shares with appropriate timing.

(2) Criteria for exercising voting rights in cross-shareholdings

The Group judges whether to exercise its voting rights in cross-shareholdings based on overall consideration of the robustness of corporate governance at the invested company and the existence or otherwise of proposals conducive to the improvement of medium-to-long term corporate value, as well as the effect of the exercise of voting rights on the Group.

[Principle 1.7 Related-party Transactions]

Before they can conduct a transaction with the Group, Directors, Auditors and major shareholders must obtain the approval of the Board of Directors.

Before issuing such approval, the Board of Directors obtains confirmation by Independent Officers and Auditors of the appropriateness and reasonableness of the details of the transaction. Even after approval is granted, the Board of Directors confirms the status of said transactions on a regular basis.

[Supplementary Principle 2.4 (1) Securing Diversity in the Appointment, etc. of Core Personnel]

The Group recognizes that the active fusion and mobilization of a wide range of perspectives, backed by a corporate culture that celebrates diversity, is vital in maximizing the capabilities of the entire Group and creating an exciting future (Waku-Waku) for everyone.

For this reason, the Group actively advances the hiring and appointment of people of diverse backgrounds, including nationality, experience, area of specialization, values, lifestyle, ability/disability and orientation. To enable that individuality to flourish, the Group makes great efforts to train employees and furnish supportive workplace environments, including promotion of work-life balance, providing training in cross-cultural communication and making in-house documents available in multiple languages.

In terms of measurable numerical targets, the Group stipulates and applies percentage targets for non-Japanese employees and women in management positions. As of March 31, 2022, the percentage of management positions held by women was 16.9% and on a rising trend. The Group aims to increase that share to 30% over the medium term.

Also, the proportion of mid-career hires in management positions has reached nearly 50%. Therefore, we recognize that they are already at an adequate level, and have not set specific targets.

For information on the Group’s policies on securing diversity in our workforce, our training policy, our workplace environment, our targets for the ratio of foreign nationals in management positions, and the status of our mid-career hire managers, please visit the Group website.

(Sustainability (Workplace Environment for Employees))

URL: [https://www.idnet-hd.co.jp/sustainability/labor\\_practices.html](https://www.idnet-hd.co.jp/sustainability/labor_practices.html)

[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]

As part of its system of benefits for its employees, the Group has introduced a defined contribution pension scheme. Although it is not in the position of being the owner of employees' corporate-pension assets, the Group provides employees with education, training and information on investment matters.

[Principle 3.1 i) Company Objectives (corporate philosophy: the IDentity)]

Guided by its corporate philosophy, the "IDentity," the ID Group strives to achieve its mission of creating an exciting future (Waku-Waku) for everyone, in accordance with its basic management policy of providing customers with high-value-added information services that serve their needs and contributing to the development of an information society.

The IDentity and the Mid-term Management Plan are described on the Group website. The Group also actively discloses information through regular briefings aimed at institutional and individual investors.

(The Identity)

URL: <https://www.idnet-hd.co.jp/corporate/vision.html>

(Mid-term Management Plan)

URL: <https://www.idnet-hd.co.jp/ir/strategy.html>

[Principle 3.1 ii) Basic Views and Guidelines on Corporate Governance]

Please refer to "I. 1. Basic Views on Corporate Governance" in this Report.

[Principle 3.1 iii) Board Policies and Procedures in Determining the Remuneration of the Senior Management and Directors]

Please refer to "II. 1. Organizational composition and operation: Director remuneration" in this Report.

[Principle 3.1 iv) Board Policies and Procedures in the Appointment/Dismissal of the Senior Management and the Nomination of Director and Auditor Candidates]

To enhance the independence and objectivity of the Board of Directors, the Group has established a Nomination and Remuneration Committee. This Committee advises the Board of Directors on the appointment and dismissal of senior management personnel and the nomination of Director and Auditor candidates. When appointing and dismissing senior management personnel and selecting and nominating Director candidates, the Board of Directors reaches its decisions with the greatest respect for the deliberations of this Committee.

When nominating Auditor candidates, the Board of Directors explains the deliberations of the Nomination and Remuneration Committee in detail to all currently serving Auditors and, after providing sufficient time for deliberation, obtains the agreement of the Board of Auditors.

(Group Guidelines, Chapter 3, Article 2: Basic Policy and Procedures for the Appointment and Dismissal of Senior Management and Nomination of Director and Auditor Candidates)

[Principle 3.1 v) Explanations with Respect to the Individual Appointments/Dismissals and Nominations Based on iv]

Reference documents for the convocation of General Meetings of Shareholders for the appointment of Directors and Auditors list the reasons for appointment of each candidate selected by the Board of Directors.

Notifications of convocation of General Meetings of Shareholders are posted on the Group website.

(General Meetings of Shareholders (Notices of Convocation))

URL: <https://www.idnet-hd.co.jp/ir/stockholder.html>

[Supplementary Principle 3.1 (3) Measures for Sustainability, etc.]

(1) Measures to ensure the Group's sustainability

The ID Group sets a basic sustainability policy based on its business philosophy mission of creating an exciting future (Waku-Waku) for everyone. It aims to attain a sustainable society based on that policy. In addition, in the medium-term management plan, the company will set an "SDGs Strategy" as one of our four basic strategies, and will actively work to solve social issues by providing information services, which is our main business. Also, as an initiative for climate change, the Group discloses information according to "Governance," "Strategy," "Risk Management," and "Metrics and Targets" in accordance with the framework of the Task Force on Climate-related Financial Disclosure (TCFD).

The Group's policies and measures on sustainability are described on the Group website.

(Sustainability)

URL: <https://www.idnet-hd.co.jp/sustainability>

(Initiatives for Climate Change)

URL: <https://www.idnet-hd.co.jp/sustainability/environment.html>

(2) Investments in personal and intellectual assets, etc.

With regard to company investments in human capital, the company will set a "human resource strategy" as one of our four basic strategies in our medium-term management plan, and will strengthen our training of mid- to senior-level engineers in the cloud, cybersecurity, and AI-related fields, and will develop our innovative leaders who can propose solutions with new ideas in order further to expand our DX business.

Furthermore, with regard to our investment in intellectual property, the company will collect information on advanced technologies through investments in US venture funds and our collaboration with Keio University. The company is also committed to research on image analysis, video technology, speech recognition, smart glass utilization, and research in fields related to web 3.0.

Human capital, and the like are listed on the Group website.

(Medium-term Management Plan)

URL: <https://www.idnet-hd.co.jp/ir/strategy.html>

[Supplementary Principle 4.1 (1) Overview of Scope of Delegation to the Management]

The Board of Directors delegates all decisions on the execution of Group duties to the Group's management, headed by the President and Representative Director, with the exception of items prescribed by laws and regulations to be resolved at meetings of the Board of Directors and other items commensurate therewith.

(Please refer to Chapter 3, Article 3 (2), "Responsibilities of the Board of Directors," part 2), in the Group's Guidelines.)

[Principle 4.9 Independence Standards and Qualification for Independent Outside Directors]

For information on the Group's criteria for the independence of Outside Directors, please refer to the Appendix of the Group's Guidelines.

[Supplementary Principle 4.10 (1) Use of Optional Arrangements]

Please refer to "II. 1. Organizational composition and operation: Directors: Committees established voluntarily, their composition, and attributes of chairperson / Supplementary explanation" of this Report.

[Supplementary Principle 4.11 (2) Status of Directors serving concurrent posts]

Please refer to "II. 1. Organizational composition and operation: Directors: Outside Directors' relationships with the Company (2)" of this Report.

[Supplementary Principle 4.11 (3) Evaluation of Overall Effectiveness of the Board of Directors]

The Group strives to achieve further improvement of the effectiveness of the Board of Directors through a continuous process (PDCA cycle) of analyses and evaluations conducted each fiscal year. These efforts consist of examining and implementing improvements and solutions for newly raised problems and continuing issues.

The Board of Directors conducts self-evaluations of its overall effectiveness and other issues, aiming to support the sustainable growth of the Group

and the medium-to-long term improvement of its corporate value. Following extensive deliberation, the Board of Directors publishes an overview of the results of this process.

[Supplementary Principle 4.14 (2) Training policy for Directors and Auditors]

When Directors and Auditors, including Outside Directors and Auditors, are appointed, they are provided training on the roles and responsibilities expected of the Directors and Auditors of listed companies, related laws and ordinances, and compliance matters. Similarly, persons newly appointed as Outside Directors and Auditors receive full explanations of the Group's business, finances, organization and other matters. Every effort is made to furnish an environment that supports the Outside Directors and Auditors in the effective execution of their roles and responsibilities. In addition, the Group encourages each Director and Auditor to engage in self-improvement, provides and arranges training opportunities suited to the needs of each Director and Auditor, and provides wide-ranging support for the expenses incurred in these efforts.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

The Group believes that constructive dialogue with shareholders contributes to its sustainable growth and the medium-to-long term improvement of its corporate value. To this end, the Group's basic stance is to have its Outside Director, other Director, Auditor or member of senior management respond to shareholders' requests for dialogue (interviews), within a reasonable scope, based on consideration of shareholders' wishes and the main topics of the interviews. In addition, the executive in charge of investor relations takes the following actions:

- Works to achieve constructive dialogue in cooperation with related Group departments.
- Conducts comprehensive investor-relations activities, including individual interviews, management briefings, etc.
- Strives to provide timely and appropriate feedback to the Board of Directors and senior management regarding the shareholder opinions and wishes learned from the dialogue.
- Establishes rigorous information management, in collaboration with the information management supervisor, to prevent leaks of important and unpublished internal information (insider information), based on the Group's information security standards.
- Regularly obtains an understanding of the Group's shareholder structure, based on the shareholder registry, and report the same to the Board of Directors.

## 2. Capital structure

Foreign shareholding ratio	Under 10%
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### Status of major shareholders Updated

Name	Number of shares owned (Shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,724,200	10.16
A.K. Corporation	1,565,931	9.23
ID Employee Ownership Account	1,120,687	6.60
PERSHING-DIV. OF DLJ SECS. CORP.	780,850	4.60
Custody Bank of Japan, Ltd. (Trust Account)	759,100	4.47
Mizuho Trust & Banking Co., Ltd.	634,275	3.74
TDC SOFT Inc.	426,150	2.51
Custody Bank of Japan, Ltd. (Trust Account E)	365,197	2.15
Akemi Funakoshi	297,190	1.75
Kaori Marubayashi	269,466	1.58

Controlling shareholder (except for parent company)	_____
Parent company	None

### Supplementary explanation Updated

The shareholders listed under "Status of major shareholders" are correct as of March 31, 2022.

## 3. Corporate attributes

Listed stock market and market section <span style="background-color: #ff9900; padding: 2px;">Updated</span>	Tokyo Stock Exchange/Prime Market
Fiscal year-end	March
Type of business	Information/communications
Number of employees (consolidated) as of the end of the previous fiscal year	1,000 or more
Net sales (consolidated) for the previous fiscal year	10 billion yen or more, under 100 billion yen
Number of consolidated subsidiaries as of the end of the previous fiscal year	10 or more, less than 50

**4. Policy on measures to protect minority shareholders in conducting transactions with controlling shareholder**

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**5. Special circumstances which may have material impact on corporate governance**

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## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Supervision in Management

### 1. Organizational composition and operation

Organization form	Company with Auditors
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#### Directors

Maximum number of Directors stipulated in Articles of Incorporation	9
Term of office stipulated in Articles of Incorporation	2 years
Chairperson of the Board of Directors	President
Number of Directors	6
Appointment of Outside Directors	Appointed
Number of Outside Directors	3
Number of Independent Officers designated from among Outside Directors	3

#### Outside Directors' relationships with the Company (1)

Name	Attribute	Relationships with the Company*												
		a	b	c	d	e	f	g	h	i	j	k		
Aya Nakamura	From another company									△				
Rieko Nishikawa	Academic													
Naomasa Yoshida	Other													

#### \* Categories for "Relationships with the Company"

\* "○" when the Director presently falls or has recently fallen under the category;

\* "△" when the Director fell under the category in the past;

\* "●" when a close relative of the Director presently falls or has recently fallen under the category; and

\* "▲" when a close relative of the Director fell under the category in the past

a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiaries

b. Non-executive Director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the Company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a Director

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)

h. Executive of a client or supplier of the Company (which does not correspond to any of d, e, or f) (the Director himself/herself only)

i. Executive of a corporation, between which and the Company Outside Directors/Auditors are mutually appointed (the Director himself/herself only)

j. Executive of a corporation that receives a donation from the Company (the Director himself/herself only)

k. Other

#### Outside Directors' relationships with the Company (2) Updated

Name	Designation as Independent Officer	Supplementary explanation of the relationship	Reasons for appointment
Aya Nakamura	○	Ms. Aya Nakamura worked at IBM Japan, Ltd., one of the ID Group's clients. The company's revenue structure in the group is 3.4% for the most recent business year, compared to 11.9% for the IBM group to which the company belongs. While the Group has a certain level of business dealings with this company, Ms. Nakamura had already resigned from the company in question 6 years prior to her appointment as an Outside Director.	Ms. Aya Nakamura held prominent positions at a major foreign-affiliated IT company and possesses advanced knowledge in the global perspective for the IT field. Since her appointment, she provided productive opinions and viewpoints especially regarding business partner use strategies at meetings of the Board of Directors. The Group therefore selected her as Outside Director in the hope that she will continue to provide ample supervision and appropriate advice

			to company management including recommendations regarding business strategies and plans of the Group. In addition, since the Group judges that there is no risk of a conflict of interest arising with ordinary shareholders according to the Criteria for Independence of Outside Officers set forth by the Group and in light of criteria for judgment of independence stipulated by the Tokyo Stock Exchange, the Group designated her as Independent Officer.
Rieko Nishikawa	○	----	Ms. Rieko Nishikawa has an abundance of global experience and possesses rich academic knowledge and experiences as Professor Emeritus. The Group therefore selected her as Outside Director in the hope that she will contribute to reinforcement of the supervisory function of business execution and provide ample supervision and appropriate advice to company management from a wide variety of perspectives including sustainability, diversity, and compliance. In addition, since the Group judges that there is no risk of a conflict of interest arising with ordinary shareholders according to the Criteria for Independence of Outside Officers set forth by the Group and in light of criteria for judgment of independence stipulated by the Tokyo Stock Exchange, the Group designated her as Independent Officer.
Naomasa Yoshida	○	----	Mr. Naomasa Yoshida held prominent positions at the National Police Agency of Japan including the 94th Commissioner General and possesses rich experience and broad knowledge obtained through his career. The Group therefore selected him as Outside Director in the hope that he will provide ample supervision and appropriate advice to company management to further strengthen our corporate governance, in particular, risk management and compliance. In addition, since the Group judges that there is no risk of a conflict of interest arising with ordinary shareholders according to the Criteria for Independence of Outside Officers set forth by the Group and in light of criteria for judgment of independence stipulated by the Tokyo Stock Exchange, the Group designated him as Independent Officer.

Voluntary establishment of committee(s) equivalent to Nominating Committee or Remuneration Committee

Established

Committees established voluntarily, their composition, and attributes of chairperson

	Committee's name	All committee members	Full-time members	Inside Directors	Outside Directors	Outside experts	Other	Chairpersons
Committee equivalent to Nominating Committee	Nomination and Remuneration Committee	4	0	0	3	0	1	Other
Committee equivalent to Remuneration Committee	Nomination and Remuneration Committee	4	0	0	3	0	1	Other

Supplementary explanation Updated

The other member is an Outside Auditor.

Also, in March, 2022, the Nominations and Remuneration Committee deliberated mainly on executive remuneration and the nomination of

officers.

## Auditors

Establishment of Board of Auditors	Established
Maximum number of Auditors stipulated in Articles of Incorporation	4
Number of Auditors	4

### Cooperation among Auditors, Accounting Auditors and internal audit departments

- Cooperation between Auditors and Accounting Auditors  
Auditors and Accounting Auditors work together to coordinate audit plans. Auditors not only receive reports of audit results from Accounting Auditors but also exchange the necessary information and opinions during the term.
- Cooperation between Auditors and internal audit departments  
Auditors receive explanations on audit plans, methodology and scope from the Internal Audit Office. In addition, the Standing Statutory Auditor cooperates with the Internal Audit Office to carry out internal audits and exchange the necessary information and opinions.

Appointment of Outside Auditors	Appointed
Number of Outside Auditors	3
Number of Independent Officers designated from among Outside Auditors	1

### Outside Auditors' relationships with the Company (1)

Name	Attribute	Relationships with the Company*													
		a	b	c	d	E	f	g	h	i	j	k	l	m	
Masanori Okazaki	Certified public accountant														
Hisao Watanabe	From another company											△			
Yasuo Sakai	From another company											△			

\* Categories for "Relationships with the Company"

\* "○" when the Auditor presently falls or has recently fallen under the category;

\* "△" when the Auditor fell under the category in the past;

\* "●" when a close relative of the Auditor presently falls or has recently fallen under the category; and

\* "▲" when a close relative of the Auditor fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive Director or accounting adviser of the Company or its subsidiaries

c. Non-executive Director or executive of a parent company of the Company

d. Auditor of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as an Auditor

i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)

j. Executive of a client or supplier of the Company (which does not correspond to any of f, g, or h) (the Auditor himself/herself only)

k. Executive of a company, between which and the Company Outside Directors/Auditors are mutually appointed (the Auditor himself/herself only)

l. Executive of a company or organization that receives a donation from the Company (the Auditor himself/herself only)

m. Other

### Outside Auditors' relationships with the Company (2) Updated

Name	Designation as Independent Officer	Supplementary explanation of the relationship	Reasons for appointment
Masanori Okazaki	○	-----	Mr. Masanori Okazaki has provided guidance as a certified public accountant on all aspects of management at many companies, and possesses a deep knowledge of auditing and internal controls. Therefore, he was appointed as an Outside Auditor in the hope that he will use his knowledge and experience to help

			the Group monitor its overall management. In addition, since the Group judges that there is no risk of a conflict of interest arising with ordinary shareholders according to the Criteria for Independence of Outside Officers set forth by the Group and in light of criteria for judgment of independence stipulated by the Tokyo Stock Exchange, the Group designated him as Independent Officer.
Hisao Watanabe		Mr. Hisao Watanabe worked at Tokyo Gas Co., Ltd., one of the ID Group's clients. In the last fiscal year, transactions with this company accounted for only a slight amount in terms of the Group's sales distribution ratio, but Tokyo Gas Group as a whole accounted for 6.0%.	Mr. Hisao Watanabe possesses a wealth of business experience as manager of a technological development department in the field of energy, as well as expertise as a company executive. Therefore, he was appointed as an Outside Auditor in the hope that he will use his knowledge as a management expert and experience to help the Group monitor its overall management.
Yasuo Sakai		Mr. Yasuo Sakai worked at Mizuho Trust Retail Support Co., Ltd. The ID Group does not conduct transactions with Mizuho Trust Retail Support Co., Ltd., but Mizuho Trust Retail Support Co., Ltd. is part of the Mizuho Financial Group, and transactions of the ID Group with the entire Mizuho Financial Group account for 8.8% of all transactions of the ID Group.	Mr. Yasuo Sakai possesses a wealth of business experience at financial institutions and a broad range of knowledge and expertise as a company manager. Therefore, he was appointed as an Outside Auditor in the hope that he will provide high-quality auditing from objective and fair standpoints, given that he has not special interests in the Group.

## Independent Officers

Number of Independent Officers	4
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### Matters relating to Independent Officers

All Outside Directors that satisfy the qualifications of Independent Officers are designated as Independent Officers. For the ID Group's Criteria for Independence of Outside Directors, please refer to the Appendix of the guidelines.

## Incentives

Implementation of measures to provide incentives to Directors <span style="background-color: orange; color: white; padding: 2px;">Updated</span>	Introduction of performance-based remuneration system
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### Supplementary explanation Updated

- Performance-based remuneration system

The Group decided to introduce Board Benefit Trust (BBT) during its 47<sup>th</sup> Annual General Meeting of Shareholders, held on June 18, 2015. This system has also been introduced at INFORMATION DEVELOPMENT CO., LTD., ID DATA CENTER MANAGEMENT CO., LTD., DX CONSULTING CO., LTD., and SYSTEM DESIGN Co., Ltd., the Group's core subsidiaries.

Under this system, money contributed by the Group as funds is used to acquire Group shares through a trust. In principle, these shares are awarded to Officers upon their retirement in accordance with the Officer Stock Benefit Rules, a common set of rules established by the Boards of Directors of the Group and subsidiaries.

The introduction of this system further clarifies the interrelationship between Director remuneration and the Group's stock value. As with all shareholders, Directors not only benefit if the Group's stock price rises but also share the same risk of falling stock prices. This, therefore, helps raise awareness of the need to contribute to improving the Group's medium-to-long term performance and corporate value.

Recipients of stock options <span style="background-color: orange; color: white; padding: 2px;">Updated</span>	
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### Supplementary explanation Updated

## Director remuneration

Disclosure of individual Directors' remuneration	No individual disclosure
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### Supplementary explanation

The total amount of remuneration is disclosed in the Annual Securities Report and business report in addition to the total amount paid out to Outside Directors.



## Disclosure of policy for determining remuneration amounts or calculation methods thereof

## (1) Policy on determining details including remuneration for officers

In the ID Group, the Nomination and Remuneration Committee composed of Outside Director(s) and Outside Auditor(s) discusses the appropriateness and transparency of remuneration standards/composition and its operation situation within the scope of the annual remuneration limits decided by resolutions of General Meetings of Shareholders and decisions regarding remuneration are made by the Board of Directors. Remuneration for Directors is decided according to objective and transparent procedures so as to function as one of the sound incentives for sustainable growth.

## (a) Remuneration decision process

The decision policy on remuneration for Directors and the remuneration amount are decided via discussions by the Board of Directors and Nomination and Remuneration Committee.

The President and Representative Director evaluates the performance of individual Directors (quantitative evaluation) for the corresponding fiscal year according to Regulations for Remuneration of Officers, etc. and submits the remuneration plan for individual Directors where the evaluation results are reflected to the Nomination and Remuneration Committee. The Nomination and Remuneration Committee confirms and discusses the remuneration plan submitted from the President and Representative Director and reports the results to the Board of Directors. The Board of Directors makes the final decision on the remuneration amount based on the discussion contents of the Nomination and Remuneration Committee.

## (b) Remuneration governance

In order to secure the objectivity and transparency of the remuneration decision process and appropriateness of remuneration standards for Directors of the ID Group, the Nomination and Remuneration Committee discusses the remuneration amounts for individual Directors proposed by the President and Representative Director, and the Board of Directors respects the discussion contents of the Nomination and Remuneration Committee and makes the decision on the remuneration amount.

## (c) Remuneration structure

The remuneration structure for Directors (excluding Outside Directors) is composed of fixed remuneration and performance-based remuneration. Fixed remuneration is a basic remuneration for job duties as Directors and is decided according to the role and job duty of each Director. The standard performance-based remuneration amount is equivalent to one third of the fixed remuneration (25% of the total remuneration amount of Directors), and the breakdown is 9% for monthly performance remuneration, 11% for performance-based bonus, and 5% for stock-based remuneration (BBT).

	Fixed remuneration	Performance-based remuneration
Monthly remuneration	Basic remuneration (75%)	Monthly performance remuneration (9%)
Officers' bonuses	—	Performance-based bonus (11%)
Stock-based remuneration	—	Board Benefit Trust (BBT) (5%)

Outside Directors are only provided with fixed remuneration out of consideration of ensuring their independence and neutrality. Remuneration for Auditors is decided through discussion by the Board of Auditors and is fixed remuneration only.

## (d) Performance indicators and decision policy for performance-based remuneration

Performance-based remuneration is introduced for Directors (excluding Outside Directors) as monthly remuneration and bonuses which are coordinated with the performance achievement level of a single fiscal year and stock-based remuneration (BBT) which aims for promoting the sharing of value with shareholders.

For performance indicators, consolidated net sales and consolidated net income are used as quantitative performance indicators while strategy targets in the Mid-term Management Plan are used as qualitative performance indicators. We selected consolidated net sales and consolidated net income for quantitative performance indicators since the targets for consolidated net sales and consolidated net income are set in the Mid-term Management Plan, which enables direct evaluation of the achievement situation of the Mid-term Management Plan.

## (e) Stock-based remuneration

For Directors (excluding Outside Directors), the Board Benefit Trust (BBT) has been introduced. The system aims to further clarify coordination between the remuneration for Directors and performance and stock value of the ID Group and increase the awareness of contributing to improving performance and growing corporate value in the medium-to-long term.

## (f) Timing of remuneration payments

The monthly payment amount which is decided by the Board of Directors for Directors and by the Board of Auditors for Auditors is paid monthly while stock-based remuneration is paid when a Director retires from their position.

## Supporting system for Outside Directors and/or Outside Auditors

The Corporate Strategy Department shall provide support as needed. The Standing Statutory Auditor provides Outside Auditors with supplementary explanations at monthly meetings of the Board of Auditors.

## 2. Matters on functions of business execution, audit and supervision, nomination and remuneration decisions (overview of current corporate governance system) Updated

- Regular meetings of the Board of Directors are held monthly, and extraordinary meetings of the Board of Directors are held as needed as a decision-making and supervisory body relating to important managerial issues. The Board of Directors reviews and makes decisions on important managerial issues in an accurate and prompt manner. Furthermore, the Group has introduced an executive officer system to inject stimulus into meetings of the Board of Directors through the separation of decision-making/supervision and execution.
- The ID Group is a company with a Board of Auditors. The Board of Auditors is made up of 1 Standing Statutory Auditor and 3 Outside Auditors (including 1 Outside Auditor who is an Independent Officer). Auditors attend important meetings such as meetings of the Board of Directors to assess the processes by which important decisions are made, and check the state of execution of duties. In addition, they also carry out audits concerning the status of management and assets from their own professional standpoints, thus reinforcing the Group's management monitoring functions.
- In order to enhance the quality of auditing work, the Internal Audit Office, which is overseen directly by the President, currently conducts audits through a system of 4 personnel.
- Group Management Meetings are in principle held on a monthly basis and at other times if needed as a body for discussing matters relating to important managerial issues.
- In order to ensure a highly objective and fair remuneration system, executive remuneration is set at a meeting of the Board of the Directors in consultation with the Nomination and Remuneration Committee comprising mainly Outside Directors and Outside Auditors within the scope of the annual remuneration limits decided at the General Meeting of Shareholders.
- The Group carries out evaluations based on the Rules concerning the Evaluation of Meetings of the Board of Directors. The results are

analyzed and evaluated in terms of the overall effectiveness of the Board of Directors, and the content is disclosed on the Group website.  
URL: <https://www.idnet-hd.co.jp/ir/news.html>

Please also see Chapter 3, Article 3 (4) of the Guidelines, "Evaluation of the Board of Directors."

### **3. Reasons for adoption of current corporate governance system**

The ID Group is a company with a Board of Auditors. The Group adopted this corporate governance system based on the judgment that an auditing system through Auditors, including Outside Auditors, is an effective form of management monitoring function in light of the Group's size and content of business.

## III. Implementation of Measures for Shareholders and Other Stakeholders

### 1. Measures to vitalize the General Meeting of Shareholders and smooth exercise of voting rights Updated

	Supplementary explanations
Early notification of General Meeting of Shareholders	Notification of the 54 <sup>th</sup> Annual General Meeting of Shareholders (FYE March 2022) was sent out 7 days earlier than the legally prescribed date. The Group continues to endeavor to send out notification early to ensure that shareholders have sufficient time to consider items on the agenda.
Scheduling Annual General Meeting of Shareholders avoiding the peak day	52 <sup>nd</sup> Annual General Meeting of Shareholders: June 19, 2020 53 <sup>rd</sup> Annual General Meeting of Shareholders: June 18, 2021 54 <sup>th</sup> Annual General Meeting of Shareholders: June 17, 2022
Allowing electronic or magnetic exercise of voting rights	Electronic or magnetic exercise of voting rights were introduced at an Extraordinary General Meeting of Shareholders held on January 24, 2019.
Participation in the Electronic Voting Exercise Platform and other initiatives to improve the voting environment for institutional investors	From the 54 <sup>th</sup> Ordinary General Meeting of Shareholders held June 17, 2022, we have introduced an electronic voting rights exercise platform operated by ICJ, Inc.
Provision of convocation notices in English (summary)	An English translation of the convocation notice (abbreviated version) is posted on the ID Group's website and made available through the Tokyo Stock Exchange.
Other	Convocation notices, business reports, notifications of resolutions, and extraordinary reports (the results of voting at Meetings of Shareholders) are published on the ID Group's website. Convocation notices shall be translated into English from the 52 <sup>nd</sup> Annual General Meeting of Shareholders onward.

### 2. IR activities

	Supplementary explanations	Explanation by the representative in person
Preparation and publication of disclosure policy	The Group has published a disclosure policy on its website. URL: <a href="https://www.idnet-hd.co.jp/ir/disclaimer.html">https://www.idnet-hd.co.jp/ir/disclaimer.html</a>	
Regular investor briefings for individual investors	The Group holds regular investor briefings for individual investors, and elicits feedback from investors on each occasion through questionnaires. This information is used for references purposes in IR activities and management in that it helps the Group gain a better picture of awareness among investors of the industry, the Group's businesses and strategies.	Yes
Regular investor briefings for analysts and institutional investors	Investor briefings for analysts and institutional investors are held when the Group announces its financial results for the fiscal year and its financial results for the first half of the year. In addition, investor briefings for analysts and institutional investors are held in Q1 and Q3 as well based on necessity. The Group also pays regular visits to institutional investors, such as by holding roadshows in Japan directly after financial result briefings.	Yes
Regular investor briefings for overseas investors	The Group holds regular meetings with overseas investors as a means to bridge the information gap with domestic investors. Regular dialog with overseas investors, who demand a higher level of business efficiency and transparency, also helps the Group improve on its corporate governance.	Yes
Posting of IR materials on website	The Group voluntarily discloses materials including the Mid-term Management Plan, reference materials and video of the briefings, fact books, and ID letters. The Group is also working to ensure it provides sufficient information on its IR site, such as by publishing English language versions of financial results, press releases, etc.	
Establishment of department and/or manager in charge of IR	The Corporate Strategy Department, which is overseen directly by the President, is the point of contact for all IR-related matters.	
Other	All company briefings such as IR briefings are conducted by the President himself.	

3. Measures to ensure due respect for stakeholders

Updated

	Supplementary explanations
Provisions to ensure due respect for stakeholders in internal rules, etc.	<p>The ID Group has clarified its position on due respect for stakeholders in its Corporate Governance Guidelines and in the “Sustainability” section of its website.</p>
Implementation of environmental conservation activities, CSR activities, etc.	<p>(1) Obtained ISO 14001 certification; (2) Environmental conservation activities (Katase Enoshima Coastal Cleaning, Wuhan, China Regional Cleaning, Tottori Prefecture Coastal Cleaning, and others); (3) Mine clearance support (Palau); (4) Promotion of employment of persons with disabilities by AI FACTORY CO., LTD., a special subsidiary; (5) Support for cultural and artistic activities; (6) Scholarship system (Tottori Prefecture Future Human Resource Development Fund, Huazhong University of Science and Technology in Wuhan, Hubei Province, China); (7) Reception of international students into employee dormitories; (8) Sponsorship support (a. Information Olympics; b. Japan Philharmonic Orchestra; c. WWF Japan (World Wildlife Fund Japan)); (9) Educational support (Clinical Psychologist Research Grant for the Nurturing of the Next Generation); (10) Research support (Cyber Security Research, Faculty of Science and Engineering, Keio University); (11) Support for the Buddhist-Nuns Charity School, donation to children’s cafeteria; (12) Setting of blood donation day (twice a year); (13) Zhengzhou flood disaster support activities in ID Wuhan</p>
Formulation of policies, etc., relating to the provision of information to stakeholders	<p>In order to improve its shareholder-centered business management and improve its transparency, the Group takes a proactive stance to the disclosure of information. In addition to disclosing information in a timely manner, it holds financial briefings for institutional investors and briefing sessions for individual investors and holds IR meetings with investors inside and outside Japan on an ongoing basis.</p> <p>[Efforts to promote women to executive and management positions]</p> <p>The ID Group leverages the diverse perspectives and values of its people in its efforts to achieve sustainable growth and improve its medium-to-long term corporate value. The Group stipulates percentage targets for non-Japanese employees and women in management positions. Going forward, the Group will continue to advance the hiring and appointment of people of diverse backgrounds, including nationality, experience, area of specialization, values, lifestyle, ability/disability and orientation. As of March 31, 2022, the percentage of management positions held by women was 16.9% and on a rising trend. The Group aims to increase that share to 30% over the medium term.</p> <p>For more information on the Group’s policies on securing diversity, training and workplace environment, please visit the Group website. (Sustainability/Workplace Environment for Employees) URL: <a href="https://www.idnet-hd.co.jp/sustainability/labor_practices.html">https://www.idnet-hd.co.jp/sustainability/labor_practices.html</a></p>
Other	<p>[Initiatives for Health Management]</p> <p>Focusing on themes of employee health issues, the Group holds lifestyle illness prevention seminars, sets smoking rate and obesity rate reduction goals, provides health advice through public health nurses for those in poor physical condition, and takes steps to encourage the takeup of paid leave to improve work-life balance. In recognition of these efforts, the Group earned certification by the Ministry of Economy, Trade and Industry (METI) as an “Excellent Enterprise of Health and Productivity Management (White 500)” for the third year in a row.</p> <p>[Respect for human rights initiatives]</p> <p>According to the ID Group Human Rights Policy, we have been promoting our initiatives for respecting human rights by establishing contact points for consultation and whistleblowing and providing human rights training to all employees. The theme of the human rights training in March, 2022 was LGBT/SOJI.</p> <p>The Group has established three external consultation contacts for cases in which there would be objective obstacles to establishing these consultation contacts within the Company, or in which users would hesitate to use these consultation contacts if they were within the Company. The administration of these has been consigned to the following: IntegreX Inc., which has a proven track record for consultation services relating to whistleblowing; E Partner Inc., which as a proven track record in providing support for mental health care; and Yoshinobu Nakamura Law Office.</p>

## **IV. Matters Related to the Internal Control System**

### **1. Basic views on internal control system and progress of system development** Updated

The ID Group has put in place the following systems which meet the requirement set out in the Companies Act of Japan for “the development of systems necessary to ensure that the execution of the duties by the Directors complies with the laws and regulations and the articles of incorporation, and other systems prescribed by Ministry of Justice Order as systems necessary to ensure the properness of operations of a Stock Company.”

(1) Systems to secure the execution by the Directors and employees of their duties to comply with laws and regulations and the Articles of Incorporation

(a) Directors and Executive Officers shall work to establish corporate ethics based on “IDentity,” the ID Group’s Corporate Philosophy which sets down shared rules and views for the Group. In addition, they shall make continual efforts to generate awareness among executives and staff of the importance of compliance with laws, the Group’s Articles of Incorporation, and internal rules.

(b) In order to ensure that thorough compliance is in place, the Group has set up designated departments with jurisdiction over compliance management, and has drawn up the Basic Compliance Code. In addition, the Group shall carry out training, awareness-raising, etc. to establish and maintain an awareness of compliance among employees.

(c) In regard to acts which are in violation of law or internal rules which occur within the Group, the Group has drawn up the Whistleblower Code, and has set up internal contact points for people to make reports or receive consultations (Auditors and departments with jurisdiction over compliance management), as well as contact points for people to make reports or receive consultations (legal advisors, etc.), thus working to discover issues early on.

(d) In order to ensure the reliability of financial reports, the Group has drawn up the separate Basic Policy on Internal Control Systems concerning Financial Reports, and has constructed a management system for internal control Systems concerning financial reports, and works to ensure that this system is administered appropriately.

(e) The Group shall take a resolute stand as an organization in excluding anti-social forces (racketeers and organized crime) which threaten social order or the healthy business activities of companies.

(2) Systems concerning storage and management of information on the execution by the Directors of their duties

Information and documents (including electromagnetic media) relating to the execution by the Directors of their duties shall be stored and managed (including disposed of) appropriately in accordance with internal rules and related manuals, etc. In addition, when needed, inspections shall be carried out on the state of administration of said systems and revisions made to rules, etc.

(3) Regulations concerning management of the risk of loss and other systems

The Group manages risks relating to compliance, natural disasters, information security, labor management, quality control and other matters based on the Risk Management Regulations. The Group Risk Management Committee, an advisory body of the Board of Directors, monitors risk, considers countermeasures and provides status reports to the Board of Directors. Regarding individual risks, the various competent departments shall draw up rules and guidelines, implement training, create and distribute manuals, etc.

(4) Systems to secure efficient execution by the Directors of their duties

(a) The Group Management Meeting, Executive Committee, etc. have been set up to ensure that Directors can make prompt and accurate decisions, and discuss important matters in advance, etc.

(b) In addition to clarifying the segregation of duties, authority, procedures, etc. relating to the execution of duties, the Group has introduced an executive officer system to ensure that Directors can execute their duties efficiently.

(c) In regard to the control of management plans, various lines for the execution of duties shall be utilized to achieve goals based on the Mid-term Management Plan and annual plans, and the President and Representative Director shall check the progress of business plans and state of execution of duties through a monthly review.

(d) In regard to items set out in the Regulations of the Board of Directors and items corresponding with criteria for discussion of these, all such items shall be discussed at Board of Directors meetings without fail.

(5) Systems to ensure the properness of operations by the corporate group made up of the Company and its subsidiaries

(a) In order to ensure the properness of its operations, the ID Group has established the Regulations for Managing Related Companies and Department Managing Related Companies, through which it liaises with the concerned departments at related companies, etc., and manages/supervises the state of execution of duties.

(b) Departments with jurisdiction over internal auditing shall carry out audits on the legality and efficiency of the Group’s business activities.

(c) The Group Audit Meeting was set up under the Board of Auditors. In addition to exchanging ideas and information, the Group Audit Meeting enables Auditors at the Group to discuss and review matters relating to the Group as a whole from an Auditor’s perspective.

(6) Matters concerning employees assigned to assist Auditors in the execution of their duties

(a) At the request of an Auditor, 1 or more employees shall be assigned exclusively or concurrently with another position to assist the duties of Auditor through the establishment of a designated department or concurrent duties with an existing department.

(b) The specifics of the content described in the preceding clause shall be decided by listening to the opinion of the Auditor and taking into full consideration the opinions of the executive in charge of human resources and all other related parties.

(7) Matters concerning the independence from Directors of employees assigned to assist Auditors in the execution of their duties

The consent of the Board of Auditors is required to appoint, dismiss, transfer, evaluate or take disciplinary action against employees assigned to assist Auditors.

(8) Systems by which Directors and employees can report to Auditors

(a) Directors and other executives shall establish systems to promptly report to Auditors matters of a legal nature, matters that may have a serious impact on the Group, the status of internal auditing, and the state of use of the whistleblower system and its content. Methods of reporting shall be decided in consultation with Directors.

(b) Auditors shall attend meetings of the Board of Directors, Group Management Meetings, and other important meetings.

(9) Other systems to ensure effective audits by the Auditors

(a) The Group shall put in place an environment for helping executives and staff gain a deeper understanding of audits performed by Auditors.

(b) The Board of Auditors shall exchange opinions with the President and Representative Director and Accounting Auditors on a regular basis to ensure proper communication and the effective execution of auditing work.

(10) Overview of state of administration of systems to ensure the properness of operations

(a) Compliance system

In the course of implementing “IDentity,” the ID Group’s Corporate Philosophy, the ID Group considers thorough and robust compliance to be an important basic principle of management. Based on its Basic Compliance Code, the Group shall work to enhance a further awareness of compliance and carry out training and awareness-raising activities to this end centering on designated departments with jurisdiction over

compliance management.

In terms of its whistleblower system, the Group has established its Whistleblower Code and added Auditors to its list of internal/external points for making reports and receiving consultations. By doing so, the Group aims to discover and resolve issues relating to compliance at an even earlier stage.

(b) Risk management system

The Group Risk Management Committee, advisory body of the Board of Directors, is held based on necessity in emergencies in addition to regular meetings every six months. In the current period, the company is striving to respond in a timely and appropriate manner, including by discussing future responses to new risks posed by climate change, such as TCFD.

(c) Systems enabling Directors to perform their duties efficiently

In addition to the regular meeting of the Board of Directors held once a month, extraordinary meetings of the Board of Directors are held based on necessity to accelerate the pace of decision-making in the Group's management. In addition, the Executive Committee, an advisory body of the Board of Directors, holds free and frank discussions without constraints of time. During the current period, the Management Committee held a total of six meetings, covering important issues such as the capital policy, the organizational structure, and the new medium-term management plan.

Furthermore, the Group Management Meeting, made up of full time Directors and Standing Statutory Auditors and senior management from Group companies, is held in principle once a month as a venue for discussing important managerial issues at each Group company.

(d) Group business management systems

In regards to the Group's business management, we have established a system to receive final decisions of Director(s) or the Board of Directors of the ID Group according to the level of importance in the execution of operations based on Regulations for Managing Related Companies. In this period, the company significantly reviewed the organization by transferring the business of the management department to the company, merging among consolidated subsidiaries, and absorption-type company split, and advanced the management integration process in order to attain effective and efficient group management.

(e) Management systems for the Group's internal control systems

The Group Internal Controls Meeting where the President and Representative Director serves as chairperson of this meeting meets every quarter to carry out a periodic assessment and review of the state of development and administration of the Group's internal control systems. Furthermore, it also reports on the results of its discussions twice a year at the meetings of the Board of Directors. In this period, the company conducted a review of its business processes related to internal control, including responding to legal amendments, clarifying internal rules, and digitalization of contracts and invoices.

(f) Auditing systems

In addition to attending meetings of the Board of Directors, Group Management Meetings, and other important meetings, Auditors regularly exchange opinions with the President and Representative Director, Accounting Auditors and internal audit departments during meetings of the Board of Auditors, enabling them to communicate properly and perform their auditing duties more effectively. In addition, the Group Audit Meeting was set up under the Board of Auditors. Held every quarter, in addition to discussing and reviewing matters and issues relating to the Group as a whole from an Auditor's perspective, the Group Audit Meeting enables the Group to respond flexibly to issues raised and requests for reviews from the Board of Auditors.

## 2. Basic views on eliminating anti-social forces and progress of related efforts

[Basic views]

The ID Group takes a resolute stand against anti-social forces which threaten social order or the healthy business activities of companies, and takes a fundamental policy of not providing monetary or any other economic benefits to said anti-social forces.

[Progress of related efforts]

The ID Group is vigilant against the influence of anti-social forces. By providing training using the Compliance Handbook, the Group informs all of its employees of its fundamental stance on anti-social forces. The Group explicitly states that it excludes anti-social forces from all of its business transactions. In addition, the Group gathers and manages information on persons who are members of or have close relationships with anti-social forces, determined to preclude and exclude any possible connection or relationship with such forces.

## V. Other

### 1. Adoption of anti-takeover measures

Adoption of anti-takeover measures

Not adopted

Supplementary explanation

### 2. Other matters concerning corporate governance system

#### 1. Basic policies concerning the disclosure of information

The ID Group discloses information in accordance with laws and regulations such as the Financial Instruments and Exchange Act of Japan and with the Securities Listing Regulations (hereinafter, "SLR") stipulated by the Tokyo Stock Exchange. In addition to information falling under the SLR, etc., wherever possible it also actively discloses other important information that investors need to make a judgment on whether or not to invest.

#### 2. Internal systems relating to timely disclosure of information

Important corporate information is handled under a system in which information is reported to and collated by a manager responsible for handling information. This applies to information on facts concerning a decision, facts concerning an occurrence and financial information, including for related companies. Based on the instructions of the manager responsible for handling information, the Corporate Strategy Department promptly consults with the respective operating departments in the Group and related companies connected with the information in question. Procedures for disclosure are then initiated through TDnet in accordance with SLR, and the information is published on the Group's website and provided to media organizations.

The procedures for disclosure depending on the type of information being disclosed as follows.

##### (1) Facts concerning a decision

Decisions made by governing bodies on important matters classed as facts concerning a decision are made by the Board of Directors. In the event a decision has been made on an important matter, the Board of Directors shall instruct the Corporate Strategy Department to promptly disclose the information in question.

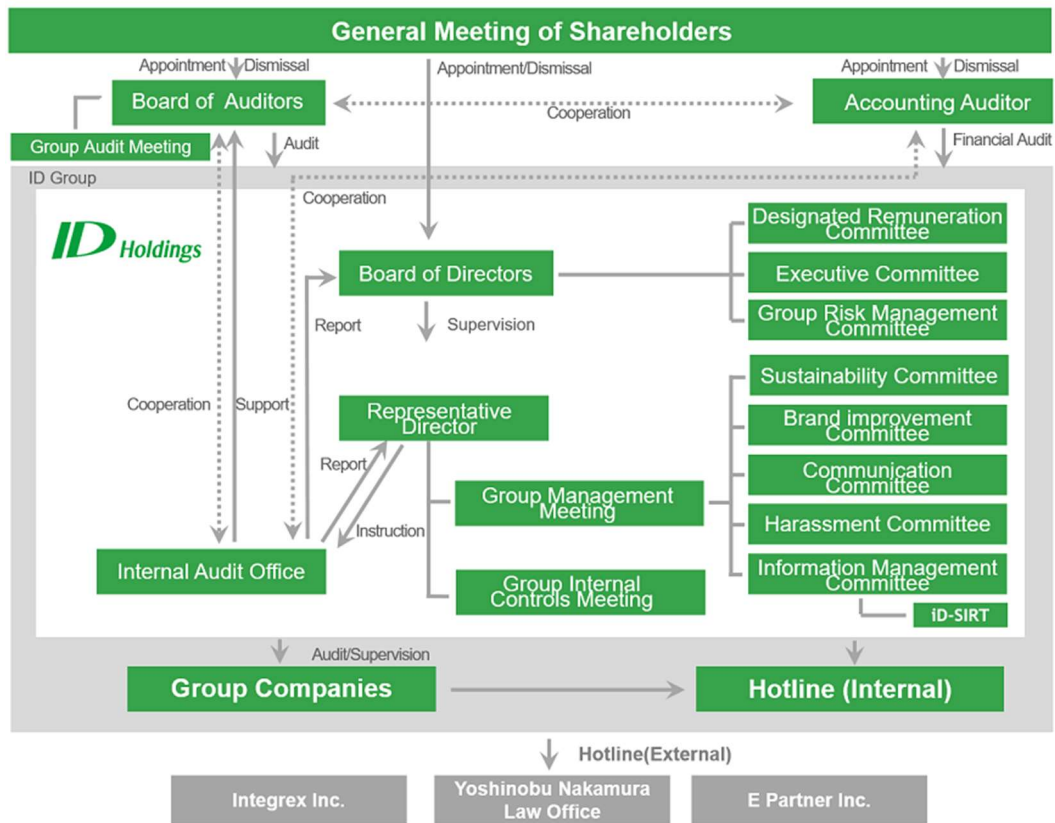
##### (2) Facts concerning an occurrence

The managers of the respective operating departments and representatives from the companies concerned report to the manager responsible for handling information as soon as they ascertain that something has occurred that constitutes facts concerning an occurrence under SLR. The manager responsible for handling information collects the necessary information and materials and promptly ascertains the all the facts surrounding the incident. The manager responsible for handling information then consults with the managers of the related departments to make a judgment on the level of importance of the occurrence, and whether or not there is a need to make a disclosure based on SLR. The manager responsible for handling information shall then report to the Board of Directors, President and Representative Director or Group Management Meeting, and shall instruct the Corporate Strategy Department to promptly disclose the information in question after having obtained authorization.

##### (3) Financial information

Concerning financial information, etc., the information is consolidated by the Corporate Strategy Department, including information connected with related companies, and the manager of the Corporate Strategy Department undertakes comprehensive management of all financial information, etc., including reports at monthly meetings of the Board of Directors. The manager responsible for handling information shall then instruct the Corporate Strategy Department to promptly disclose the financial information in question based on the authorization of the Board of Directors.

**[Corporate Governance System]**



**DISCLAIMER**

*This English translation is only for reference purpose. When they are any discrepancies between original Japanese version and English translation version, the original Japanese version always prevails.*