

The corporate governance of the ID Group is described below.

## 1. 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]**

The ID Group complies with all of the principles set out in the Corporate Governance Code.

### **[Disclosure based on the principles of the Corporate Governance Code]**

The following principles are listed based on revised Corporate Governance Code of June 2018.

[Principle 1.4 Cross-Shareholdings]

Please see Section 2-11 of the Guidelines.

[Principle 1.7 Related Party Transactions]

Please see Section 2-7 of the Guidelines.

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

In April 2016, we switched completely to a defined contribution pension scheme. The defined-benefit corporate pension scheme (closed-type consisting solely of recipient pensioners and deferred pensioners) applies only to those employees who resigned prior to the switch to the new scheme. Reserve funds under the closed-type defined-benefit corporate pension scheme are administered under the principle of safety first.

[Principle 3.1 i) Company Objectives (e.g., corporate philosophy)]

Please see Sections 1-2 and 2-12 of the Guidelines.

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

Please see Section 1-3 of the Guidelines

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

Please see Section 3-16 of the Guidelines.

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

Please see Section 3-2 of the Guidelines.

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

Please see Section 3-2 of the Guidelines.

[Supplementary Principle 4.1.1 Overview of Scope of Delegation to the Management]

Please see Section 3-4 of the Guidelines.

[Principle 4.8 Effective Use of Independent Outside Directors]

Please see Section 3-3 of the Guidelines.

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

Please see Section 3-8 of the Guidelines.

[Supplementary Principle 4.11.1 Views on Overall Balance, Diversity and Size of Board of Directors]

Please see Sections 3-2 and 3-3 of the Guidelines.

[Supplementary Principle 4.11.2 Status of Directors serving concurrent posts]

Please see Section 3-2 of the Guidelines.

[Supplementary Principle 4.11.3 Analysis and Evaluation of Effectiveness of the Board of Directors as a Whole, and Disclosure of Summary of Results]

Please see Section 3-6 of the Guidelines.

[Supplementary Principle 4.14.2 Training policy for Directors and Statutory Auditors]

Please see Section 3-13 of the Guidelines.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]  
Please see Section 2-6 of the Guidelines.

## 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 (%)
A.K. Corporation	1,043,954	8.94
The Master Trust Bank of Japan, Ltd. (Trust Account)	746,400	6.39
ID Employee Ownership Account	701,925	6.01
Custody Bank of Japan, Ltd. (Trust Account)	588,200	5.03
PERSHING-DIV. OF DLJ SECS. CORP.	426,900	3.65
Mizuho Trust & Banking Co., Ltd.	422,850	3.62
Mizuho Information & Research Institute, Inc.*	403,823	3.45
TDC SOFT Inc.	284,100	2.43
Custody Bank of Japan, Ltd. (Trust Account E)	246,990	2.11
Akemi Funakoshi	198,127	1.69

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

Supplementary explanation	<span>Updated</span>
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\* Mizuho Bank, Ltd. submitted a Report on Large Shareholders (Change Report) as of April 8, 2021, and it was reported that the company name of Mizuho Information & Research Institute, Inc. was changed to Mizuho Research & Technologies, Ltd.

The shareholders listed under "Status of major shareholders" are correct as of March 31, 2021.

## 3. Corporate attributes

Listed stock market and market section	Tokyo Stock Exchange/First section
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 <span>Updated</span>	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 Statutory 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
Chairman 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	2

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

Name	Attribute	Relationships with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Noriyuki Sugiura	Academic											
Keijiro Hayashi	From another company											
Aya Nakamura	From another company								△			

\* 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/Statutory 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)

Name	Designation as Independent Officer	Supplementary explanation of the relationship	Reasons for appointment
Noriyuki Sugiura	○	----	Mr. Noriyuki Sugiura has had a long and distinguished career as a university/graduate school professor, but has not been directly involved in company management. However, he possesses a rich academic knowledge, and was appointed as an Outside Director in the hope that he will use his knowledge and experience to help the Group further reinforce its management systems and play a supervising role. Moreover, he is designated as an Independent Officer on the grounds that he does not receive money or

			any other property besides executive remuneration. The Group therefore judges that there is no risk of a conflict of interest arising with ordinary shareholders, and that his independence is ensured.
Keijiyo Hayashi	○	----	Mr. Keijiyo Hayashi possesses knowledge from the forefront of the IT field and experience in global business. Therefore, he was appointed as an Outside Director in the hope that he will use his knowledge and experience to help the Group further reinforce its management systems and play a supervising role. Moreover, he is designated as an Independent Officer on the grounds that he does not receive money or any other property besides executive remuneration. The Group therefore judges that there is no risk of a conflict of interest arising with ordinary shareholders, and that his independence is ensured.
Aya Nakamura		Ms. Aya Nakamura worked at IBM Japan, Ltd., one of the ID Group's clients. In the last fiscal year, transactions with this company accounted for 13.8% in terms of the Group's sales distribution ratio. While the Group has a certain level of business dealings with this company, Ms. Nakamura had already resigned from the company in question 4 years prior to her appointment as an Outside Director.	Ms. Aya Nakamura possesses rich experience and global insights from having worked at a foreign-affiliated IT company, as well as expertise as an executive officer in the field of purchasing. Therefore, she was appointed as an Outside Director in the hope that she will use her knowledge and experience to help the Group further reinforce its management systems and play a supervising role.

Voluntary establishment of committee(s) equivalent to Nominating Committee or Remuneration Committee	Established
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#### Committees established voluntarily, their composition, and attributes of chairman

	Committee's name	All committee members	Full-time members	Inside Directors	Outside Directors	Outside experts	Other	Chairman
Committee equivalent to Nominating Committee	Designated Remuneration Committee	3	0	0	2	0	1	Other
Committee equivalent to Remuneration Committee	Designated Remuneration Committee	3	0	0	2	0	1	Other

#### Supplementary explanation

The other member is an Outside Statutory Auditor.

#### [Statutory Auditors]

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

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

- Cooperation between Statutory Auditors and Accounting Auditors  
Statutory Auditors and Accounting Auditors work together to coordinate audit plans. Statutory Auditors not only receive reports of audit results from Accounting Auditors but also exchange the necessary information and opinions during the term.
- Cooperation between Statutory Auditors and internal audit departments  
Statutory 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 Statutory Auditors	Appointed
Number of Outside Statutory Auditors	3
Number of Independent Officers designated from among Outside Statutory Auditors	1

#### Outside Statutory 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 Statutory Auditor presently falls or has recently fallen under the category;

"△" when the Statutory Auditor fell under the category in the past;

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

"▲" when a close relative of the Statutory 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. Statutory 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 a Statutory 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 Statutory Auditor himself/herself only)

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

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

m. Other

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

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 Statutory Auditor in the hope that he will use his knowledge and experience to help the Group monitor its overall management. Moreover, he is designated as an Independent Officer on the grounds that he does not receive money or any other property besides executive remuneration. The Group therefore judges that there is no risk of a conflict of interest arising with ordinary shareholders, and that his independence is ensured.
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 5.3%. Mr. Watanabe had already resigned from the company in question 1 year prior to his appointment as an Outside Statutory Auditor.	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 Statutory 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 Guaranty 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 Mizuho Financial Group as a whole accounted for 21.6%. Mr. Sakai had already resigned from the company in question 4 years prior to his appointment as an Outside Statutory Auditor.	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 Statutory 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.
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## [Independent Officers]

Number of Independent Officers <span>Updated</span>	3
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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	Introduction of performance-based remuneration system, introduction of stock option system
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### Supplementary explanation

- Stock option system  
Stock options are awarded with the aims of further increasing motivation to make contributions to the Group's consolidated performance and boosting morale, as well as improving corporate value.
- 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., and DX CONSULTING 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 mid- to long-term performance and corporate value.

Recipients of stock options	Internal Directors, employees, Directors at subsidiaries, employees at subsidiaries
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### Supplementary explanation

For Internal Directors, employees, Directors at subsidiaries, and employees at subsidiaries with a high degree of involvement with company management.

Total 2,170 stock packages awarded in FY2011 (exercised price: 547 yen)  
(\*1 stock package = 100 shares)

## [Director remuneration]

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

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.

Policy on determining remuneration amounts or calculation methods thereof <span>Updated</span>	Established
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### 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 Designated Remuneration Committee composed of Outside Director(s) and Outside Statutory 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 Designated 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 for Directors, etc. and submits the remuneration plan for individual Directors where the evaluation results are reflected to the Designated Remuneration Committee. The Designated 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 Designated 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 Designated 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 Designated 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%)
Directors' 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 Statutory 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 mid-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 Statutory 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 Statutory Auditors]

The Corporate Strategy Department shall provide support as needed. The Standing Statutory Auditor provides Outside Statutory 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. Outside Director Mr. Sugiura possesses academic knowledge and experience as a university economics professor. Having also been designated as an Independent Officer, he was appointed to this position to improve the effectiveness of the Group's supervisory functions. Outside Director Mr. Hayashi possesses knowledge from the forefront of the IT field and experience in global business. Having also been designated as an Independent Officer, he was appointed to this position to improve the effectiveness of the Group's supervisory functions.
- 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 Statutory Auditors (including 1 Outside Statutory Auditor who is an Independent Officer). Statutory 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 7 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 Designated Remuneration Committee comprising mainly Outside Directors and Outside Statutory 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's website.  
URL: <https://www.idnet-hd.co.jp/ir/news.html>

Please also see Article 3-6 of the Guidelines.

### **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 Statutory Auditors, including Outside Statutory 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 53 <sup>rd</sup> Annual General Meeting of Shareholders (FYE March 2021) was sent out 8 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	51 <sup>st</sup> Annual General Meeting of Shareholders: June 21, 2019 52 <sup>nd</sup> Annual General Meeting of Shareholders: June 19, 2020 53 <sup>rd</sup> Annual General Meeting of Shareholders: June 18, 2021
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.
Other	Convocations notices, notifications of resolutions, and extraordinary reports (the results of voting at Meetings of Shareholders) are published on the ID Group's website. Convocations notices shall be translated into English from the 52 <sup>nd</sup> Annual General Meeting of Shareholders onward.

#### 2. IR activities Updated

	Supplementary explanations	Explanation by the representative in person
Preparation and publication of disclosure policy	The Group has published a disclosure policy on its website. <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.	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>	<p>(1) Acquisition of ISO 14001 certification (2) Environmental conservation activities (community cleanup activities in Wuhan, China; beach cleanup activities in Tottori Prefecture; support for mine clearance activities) (3) Joining the World Wide Fund for Nature (4) Promotion of Cool Biz/Warm Biz campaigns (5) Promotion of employment of people with disabilities through the special subsidiary AI Factory Co., Ltd. (6) Support for cultural and artistic activities (7) Scholarship system (Huazhong University of Science and Technology, Wuhan City, Hubei Province, China) (8) Acceptance of international students into the Group's employee dormitory (9) Sponsorship and support a. Official partner of the SAILING Team JAPAN operated by the Japan Sailing Federation b. Sponsorship of Venture Café Tokyo c. Olympiad in Informatics d. The Japan Philharmonic Orchestra (10) Support for education (research grants for cultivating the next generation of clinical psychologists) (11) Funding to Keio University for research on COVID-19 (12) Support for nunneries in Myanmar, donations to children's cafes (13) Establishment of Blood Donation Day (twice a year) (14) Donation of hygiene products to Huazhong University of Science and Technology by ID Wuhan (15) Posting musical-performance videos on its official website as an expression of gratitude to healthcare workers (16) Donation of picture books themed on the SDGs to daycare facilities</p>
<p>Formulation of policies, etc., relating to the provision of information to stakeholders</p>	<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>Other</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> <p>[Efforts to promote women to executive and management positions] Every year, we select candidate female managers, who undertake a management training program for women outside the Group, and we hold networking events with female managers who act as role models. (Ratio of female managers: 14.8% (as of March 31, 2021))</p> <p>[Initiatives for Health Management] Setting health problems of the employees as a theme, we hold lifestyle illness prevention seminars, set smoking rate and obesity rate reduction goals, provide health advice by health nurses for those in poor physical condition, and set a target paid holiday acquisition rate for the improvement of work-life balance, and encourage the use of paid holidays.</p> <p>[Respect for human rights initiatives] 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.</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 (Statutory 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 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

In regard to risks relating to compliance, natural disasters, information security, labor management, and quality control, etc., the Group Risk Management Committee, an advisory body of the Board of Directors, shall monitor the state of risk, consider countermeasures, and report on the situation to the Board of Directors, etc. When it comes to dealing with 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 management 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 Statutory Auditors at the Group to discuss and review matters relating to the Group as a whole from a Statutory Auditor’s perspective.

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

(a) At the request of a Statutory Auditor, 1 or more employees shall be assigned exclusively or concurrently with another position to assist the duties of Statutory 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 Statutory 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 Statutory 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 Statutory Auditors.

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

(a) Directors and other executives shall establish systems to promptly report to Statutory 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) Statutory 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 Statutory Auditors

(a) The Group shall put in place an environment for helping executives and staff gain a deeper understanding of audits performed by Statutory 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 Statutory 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. The Group Risk Management Committee has responded promptly and appropriately to risk and held extraordinary meetings to respond to the sudden risk occurring due to COVID-19 and political upheaval in Myanmar this fiscal year.

(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. In this fiscal year, the Executive Committee was held a total of 10 times with the focus mainly on important issues such as M&A and capital policies.

Furthermore, the Group Management Meeting, made up of full time Directors and Statutory Auditors and managers 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 fiscal year, for three operating companies acquired by the ID Group, immediate reviews on the business management system were conducted from the perspective of Group business management. In addition, the management integration process including unification of management foundation and organizational restructuring for the realization of effective and efficient Group management following acquisition were promoted.

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

The Group Internal Controls Meeting where the President and Representative Director serves as chairman 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 addition, in this fiscal year, efforts for the enhancement of internal control were made for three operating companies acquired by the ID Group by immediate action including the establishment of regulations and a review of operation processes by consolidating administration work in the Group.

(f) Auditing systems

In addition to attending meetings of the Board of Directors, Group Management Meetings, and other important meetings, Statutory 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 a Statutory 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

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.

The Group makes all of its employees aware of its fundamental stance concerning anti-social forces through training using the Compliance Handbook. In addition, when engaging in business transactions, the Group makes it clear that it forbids dealings of all kinds with anti-social forces, and checks whether business partners are members of anti-social forces or are closely connected with anti-social forces.

## 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

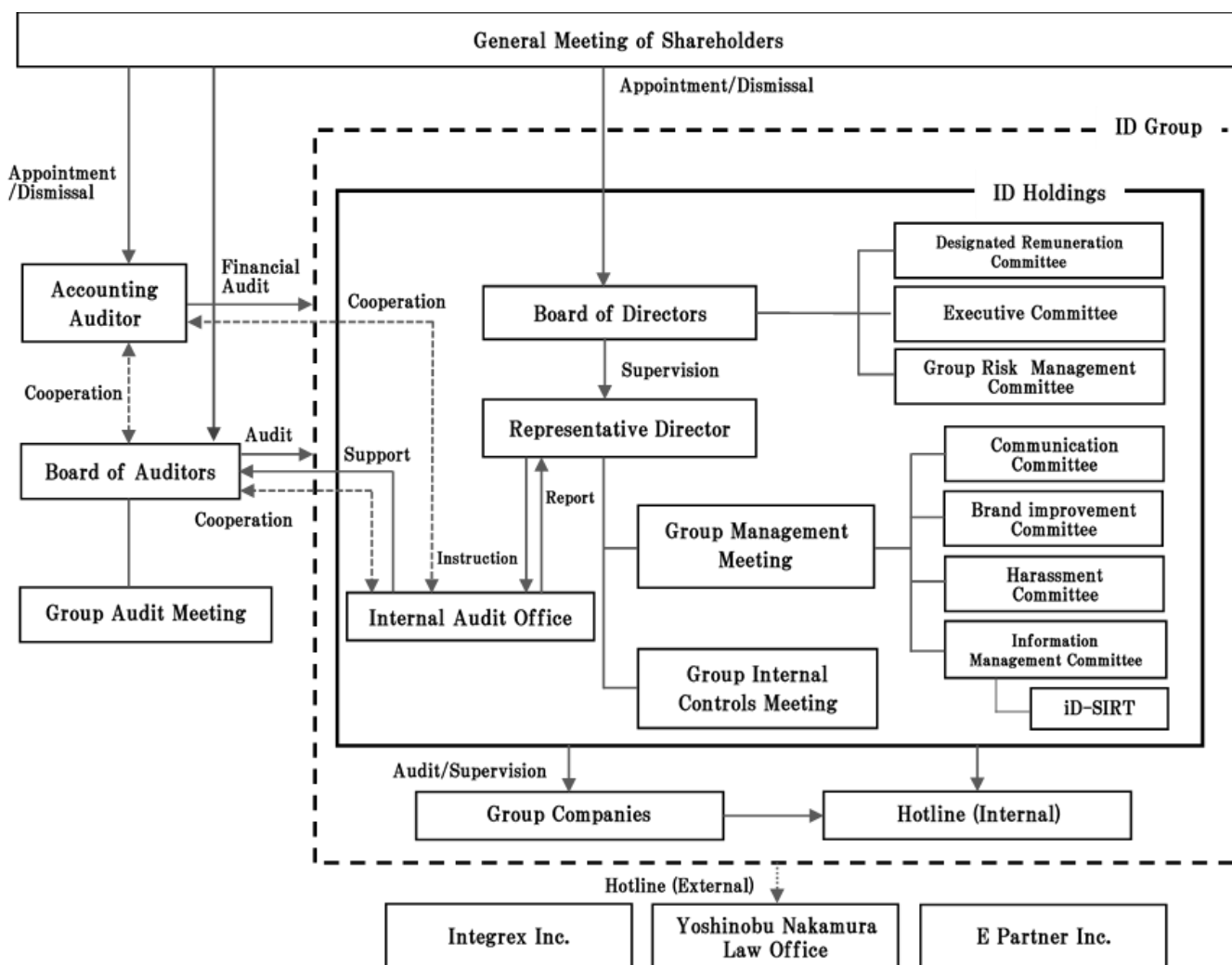
Decisions made by governing bodies on important matters classed as facts concerning a decision are made by the Board of Directors. In the event a decision has been made on an important matter, the Board of Directors shall instruct the Corporate Strategy Department to promptly disclose the information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



# DISCLAIMER

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