ID Holdings Corporation
Corporate Governance Guidelines

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Preface

These Guidelines are established to make clear the basic approach, framework, operational policy and other aspects of the ID Group's corporate governance.

Chapter 1 General Provisions

1. Purpose

The purpose of these Guidelines is to enable the ID Group to achieve the best possible corporate governance by realizing "IDentity," the Group's common Corporate Philosophy, which is described below. By fulfilling IDentity, the Group aims to boost its enterprise value over the medium and long terms and enable shareholders to hold the Company's and the Group's shares long-term with peace of mind.

2. Corporate Philosophy (IDentity)

(1) Pride

We will always make decisions based on business ethics rather than profitability.

(2) Mission

We are an information service company dedicated to the creation of an exciting (Waku-Waku) future for everyone.

(3) Attributes

・High technology is ID's life force.
・High-quality service is ID's mission.
・Challenging the unknown is ID's proposition.

(4) Organization

・Organization that promotes forward thinking.
・Organization that promotes organizational innovation.
・Organization that promotes employee personal growth.

3. Basic Approach to Corporate Governance

(1) Positioning the continuous enhancement of enterprise value as its highest objective, the ID Group strives to improve its corporate governance and monitoring functions through the following four efforts:

1) Separating the managerial and executive functions to secure transparency and soundness
2) Speedy decision-making and execution of business
3) Clarification of lines of accountability

4) Prompt, appropriate and impartial disclosure

Chapter 2 Relations with Stakeholders and Others

1. Basic Approach

(1) The Group maintains favorable and harmonious relationships with its stakeholders (which include shareholders, customers, business partners, lenders, employees, regional communities and others).

(2) The Group discloses corporate information appropriately, assuring transparency in its decision-making processes.

(3) The Group respects shareholders' rights and maintains impartiality.

2. Relations with Stakeholders

(1) The Group regards effective response to the social environment and other issues related to sustainability as vital requirements for the improvement of its enterprise value over the medium and long term. As such, the Group strives to maintain favorable and harmonious relationships with its stakeholders and proactively discloses information regarding the status of its efforts to create value.

3. Disclosure and Transparency

(1) To build strong, long-term relationships of trust with all stakeholders in Japan and overseas, the Group strives at all times to disclose information promptly, accurately, fairly and equitably. The information the Group discloses includes not only the information it is obliged to disclose under law but also a great deal of other information needed to make sound investment decisions, including information about management policies, finances, business activities, background factors and the business environment.

4. Shareholder Equality

(1) The Group treats all shareholders equally in proportion to the number of shares they hold.

(2) The Group does not provide special treatment to specific shareholders.

5. Protection of Shareholders' Rights

(1) The Board of Directors accepts the results of the General Meeting of Shareholders' exercise of voting rights. If a motion passed but a considerable number of votes were cast opposing it, the Board analyzes the causes of the opposition. If it judges that a response is required, the Board engages in dialogue with shareholders using investor-relations forums such as informal

gatherings and small meetings. The ID Group maintains active dialogue with minority shareholders.

(2) Before conducting an increase in capital that may change controlling rights in the Group or significantly dilute the Group's shares, the Group protects shareholder rights by providing appropriate disclosure.

6. Communication with Shareholders

(1) Guided by the spirit of the Corporate Philosophy, the Group strives to maintain full and frank two-way communication to achieve fruitful dialogue with shareholders.

(2) To inform that dialogue with shareholders, the Group discloses the following information.

- Medium-to-long-term strategic scenarios, business models and measures to improve enterprise value
- Financial management indices that are regarded as important for business management
- Risk information
- CSR and ESG information

(3) To ensure full and satisfactory communication with shareholders, the Group establishes points of contact for inquiries and strives to foster relationships of trust with shareholders.

(4) The Group stipulates and practices the following policies to promote constructive dialogue with shareholders.

【Policies to promote constructive dialogue with shareholders】

To promote constructive dialogue with shareholders, thereby supporting the Group's sustainable growth and medium-to-long-term improvement in enterprise value:

1) The Group responds to requests from shareholders for dialogue (discussions) in most cases by assigning an Outside Director or other Director or member of senior management to handle shareholders' desires and the main concerns raised in discussions, within a reasonable scope.
2) The executive in charge of investor relations (IR) works to realize constructive dialogue, in cooperation with each related department of the Group.
3) The executive in charge of IR convenes individual discussions, management briefings and other discussions as necessary to deploy full and satisfactory IR activities.
4) The executive in charge of IR strives to provide timely and appropriate feedback to the Board of Directors and related members of senior management with respect to the views and desires of shareholders as gleaned from dialogue.
5) To prevent leaks of important and unpublished Group-internal information (insider information), the executive in charge of IR coordinates with the information management supervisor to ensure rigorous information management, based on the Group's information security standards.

6) The executive in charge of IR regularly assesses the shareholder structure of the Group, based on the shareholder registry, and reports the findings to the Board of Directors.

7. Prevention of Transactions That Are Contrary to the Interests to Shareholders

(1) The Group strives to prevent people related to the Group from abusing their positions to conduct transactions that are contrary to the interests of the Group and its shareholders.

(2) Before they can conduct a transaction with the Group, Directors, Auditors and major shareholders must obtain the approval of the Board of Directors.
To obtain said approval, the person(s) wishing to conduct the transaction must obtain confirmation from an Independent Officer or Auditor that the nature of the transaction is proper and reasonable. Even after the transaction is approved, the Board of Directors regularly confirms the status of such transactions.

8. General Meeting of Shareholders

(1) The General Meeting of Shareholders, composed of all shareholders who hold voting rights, is the highest decision-making body of the Group. Every consideration is made to ensure that its resolutions appropriately reflect the will of the shareholders.

(2) The dates and locations at which the General Meeting of Shareholders is convened are set in such a way as to encourage as many shareholders as possible to take part.

(3) To ensure that shareholders can exercise their voting rights appropriately, every effort is made to provide sufficient information and to do so in a timely manner, through the provision of notices of convocation of the General Meeting of Shareholders, reference documents and other materials. The notices of convocation of the General Meeting of Shareholders, reference documents and other materials are disclosed on securities exchanges and on the ID Holdings website.

(4) To ensure that all shareholders can exercise their voting rights appropriately, the Group furnishes an environment supportive of exercise of voting rights, for example by enabling exercise of voting rights by electronic means and by publishing English translations of notices of convocation.

(5) To foster relationships of trust between shareholders and the Directors and Auditors, full and sufficient explanations are provided to shareholders at the General Meeting of Shareholders, and question-and-answer sessions are provided to the fullest reasonable extent.

9. Capital Policy

(1) The basic policy of the ID Group is to strive to secure a solid management foundation and stable income and to improve return on equity, while continuously distributing earnings to shareholders at a level consistent with business results.

(2) To maximize medium-to-long-term enterprise value, the Group invests for growth through a wide variety of strategies including overseas business expansion, M&A and R&D. By increasing earnings per share, the Group aims to increase shareholder value.

10. Anti-takeover Measures

(1) The Group has not introduced a swath of anti-takeover measures. If the Group's shares become the target of a takeover bid, the Board of Directors responds as follows.
- The Board asks the bidders to explain their plan to improve the enterprise value of the Group.
- The Board of Directors fully and clearly explains its thinking to the shareholders and ensures that appropriate procedures are followed.

11. Policy on Cross-shareholdings

(1) To support and strengthen its business relationships and improve its medium-to-long-term enterprise value, the Group may hold shares in its business partners and other companies. Every year the Board of Directors scrutinizes every individual cross-shareholding owned by the Group to determine whether the purpose of holding it and the benefits and risks of holding it are in line with the capital costs. The Board of Directors then discloses the results of its examinations. If it judges that it is not reasonable to continue to hold the cross-shareholding, the Board of Directors sells it with appropriate timing.

(2) The basic policy of the Group with respect to exercising the voting rights inherent in the cross-shareholdings is to judge the matter based on whether the Group has a motion to table that it believes will improve the governance structure of the invested company or enhance its medium-to-long-term enterprise value, and to make an overall judgement of such matters as the investment's overall impact on the Group.

12. Management to Improve Enterprise Value

(1) The ID Group achieves its targets for net sales and operating income margin by developing personnel of sophisticated technical capability who can provide high-quality service.

(2) To achieve increases in medium-to-long-term enterprise value, the Group drafts and publishes a Mid-term Management Plan. This plan covers topics such as the management infrastructure the Group will need for future enterprise growth and the Group's operating strategy.

13. Diversity

(1) The ID Group believes that having a workforce of diverse perspectives and values, reflecting different experiences, skill sets and attributes, is a great source of strength for supporting sustainable growth. The Group strives to secure diversity in its personnel.

(2) The designated department with jurisdiction over ESG set forth specific policies for promoting dynamic roles for women in the workplace. The Group provides a full complement of training programs to cultivate a managerial mindset and programs to support women in overcoming various life events to continue to work and advance their careers.

14. Internal Reporting

(1) Every ID Group employee should be able to provide information on actions that are, or that they suspect to be, legally or ethically problematic, without fear of reprisal. The information and suspicions thus conveyed should be examined objectively and used appropriately. To enable such reprisal-free whistleblowing, the ID Group develops an internal reporting system.

(2) The Group establishes contact points to enable officers and employees who discover real or potential risks to report them directly or seek advice about them. Group-internal contact points are the Auditors and the body with jurisdiction over compliance management, which is the secretariat of the Group Risk Management Committee. Group-external contact points are also established (outside legal counsel and external organizations that have track records in handling whistleblowing).

(3) When reports or requests for advice about the matters described above are received, these contact points examine the details of the issue, then confer with the affected business units. In the case of problems that are especially important, depending on the details the matter may be reported to the Board of Directors or the Board of Auditors.

Chapter 3 Systems of Corporate Governance

1. Basic Approach

(1) The Group selects a company with a Board of Auditors. The Auditors or Board of Auditors audits the Board of Directors' or the Executive Officers' execution of their duties.

(2) The Board of Directors is tasked by the shareholders with conducting key management decision-making and supervising the execution of business matters. To ensure sound and transparent management, the Board of Directors includes multiple, independent and objective Outside Directors.

(3) To clarify the functions of management decision-making, supervision and execution of business matters, the Group adopts an executive-officer system. The Board of Directors and each of its member Directors are responsible for decision-making and supervision, while the Executive Officers are responsible for execution of business matters.

(4) The Nomination and Remuneration Committee, Executive Committee and other Committees are established to enhance the transparency and effectiveness of the Board of Directors and to

increase the completeness of internal controls.

2. Basic Policy and Procedures for the Appointment and Dismissal of Senior Management and Nomination of Director and Auditor Candidates

(1) To enable the Board of Directors to execute its roles and responsibilities effectively, it must consist of Directors who are thoroughly versed in the Group's operations and the issues it faces. It must also include members of diverse knowledge, experience and capabilities, to guarantee its independence and objectivity.

To this end, the Group's basic policy is to nominate people thoroughly versed in the Group's operations and the issues it faces as candidates for senior management and other Executive Director positions; and to nominate persons with a diverse range of knowledge and backgrounds as candidates for Outside Director and Outside Auditor.

(2) If a member of senior management commits an impropriety, violation of law or violation of the Articles of Incorporation in the execution of duties, the dismissal of said member of senior management may be considered.

(3) To enhance the independence and objectivity of the Board of Directors, a Nomination and Remuneration Committee is established as described in Chapter 3, Article 15 below. This Committee serves as an advisory body to the Board of Directors on the appointment and dismissal of senior management and nomination of candidates for Director and Auditor.

In appointing and dismissing senior management and nominating candidates for Director, the Board of Directors accords maximum respect to the findings of the Nomination and Remuneration Committee. Similarly, before nominating candidates for Auditor, the Board of Directors fully explains these findings to all current Auditors, provides them with ample time to consider the matter and obtains the Board of Auditors' consent to the nomination.

(4) When appointing or nominating a Director or Auditor, the Group explains how each individual appointment or nomination was made in the notices of convocation of the General Meeting of Shareholders.

(5) Any other posts held concurrently by the Directors, Auditors, Outside Directors and Outside Auditors are disclosed in writing in the reference documents in the notice of convocation and in the informative materials provided in the business reports.

3. Framework of the Board of Directors, Board of Auditors and Committees

(1) The Board of Directors is composed of diverse Directors with widely varying specialized knowledge, experience and other backgrounds, of a number that enables the Board to function as effectively and efficiently as possible. In the selection process, the gender and international outlook of candidates are considered. In the case of Outside Officers, individuals with experience

in business management, academia, technology and accounting are preferred.

(2) One of the most important duties of the Board of Directors is to provide highly actionable supervision of the Group's management team from an independent and objective standpoints. To confirm the effectiveness of this supervision, the Group appoints two or more Outside Directors from an independent and objective viewpoint and ensures that at least one-third of Directors are Independent Outside Directors.

(3) To ensure the independence of the Board of Auditors, a majority of the members of this Board is Outside Auditors, appointed for their status as specialists in finance, accounting, law, management or similar disciplines. Of these, at least one is an Independent Outside Auditor.

(4) The Nomination and Remuneration Committee consists solely of Independent Outside Officers.

(5) In addition to the Board of Directors, Board of Auditors and Nomination and Remuneration Committee, the following meetings and committees are established.

- Group Management Meeting: Confers, decides and reports on the execution of business matters by Group companies, business management and related items, in accordance with the rules on jurisdiction.
- Group Internal Controls Meeting: Regularly assesses the status of upgrading and operation of the Group's internal control systems, discusses and considers necessary improvement measures and reports the results to the Board of Directors.
- Group Audit Meeting: Provides a forum for Auditors in all Group companies to exchange views and information and to discuss and examine items related to the Group as a whole from their perspectives as Auditors.
- Executive Committee: Mainly discusses and examines important matters such as M&A, investments, capital and business partnerships.
- Group Risk Management Committee: Uncovers risks to Group management, prevents or restrains their occurrence, examines and proposes measures after risks occur and reports the results to the Board of Directors.

4. Responsibilities of the Board of Directors

(1) The Board of Directors strives to construct an efficient and effective framework for corporate governance and carry out optimal decision-making based on impartial judgement of important legal matters and management issues.

(2) The Board of Directors entrusts all decisions on the execution of business matters to the President and Representative Director and the rest of the Group's management team, except those matters deemed appropriate to be decided by the Board of Directors in view of their nature and importance, as matters prescribed by laws and regulations to be resolved at meetings of the Board of Directors, and corresponding matters.

(3) The Board of Directors strives to fulfill the Corporate Philosophy and expand enterprise value and the common good of shareholders over the medium-to-long term. With respect to actions that may tend to decrease that enterprise value and common good, the Board of Directors has a duty to examine the matter thoroughly and from multiple angles to reach a fair judgement and take action.

(4) Recognizing that medium-to-long-term management planning is one of its commitments to shareholders, the Board of Directors explains to shareholders the grounds and background of its plans as well as the operating environment and makes its best efforts to implement the plan successfully. If the Board of Directors is unable to meet planned targets, the Board of Directors carefully analyzes and explains the causes for the failure and the Directors' intended response, and incorporates that analysis into subsequent plans.

(5) To meet its targets for consolidated business results, the Board of Directors confirms and scrutinizes current conditions, devises measures as necessary and provides appropriate disclosure.

(6) The Board of Directors coordinates with the Executive Committee to evaluate the results of M&A and other investment projects. The Board of Directors also regularly verifies investments against the Group's standards for adopting investments, to boost capital productivity.

(7) The Board of Directors establishes systems of internal controls and coordinates with the Group Risk Management Committee to implement and supervise them.

(8) In view of the importance to shareholders and other stakeholders of the role that accounting auditors fulfill, the Board of Directors ensures that accounting auditors are accorded sufficient time and resources to conduct high-quality audits.

(9) The Board of Directors establishes a framework for responding if a Auditor or accounting auditor discovers any impropriety and requests appropriate action, or if deficiencies or problems are pointed out.

(10) The Board of Directors recognizes that the selection of the Chief Executive Officer and other senior personnel is its most important item for consideration. As such, the Board of Directors discusses these matters fully with the Nomination and Remuneration Committee. The Board of Directors discovers and develops personnel worldwide of excellent character and insight and of broad-based discernment, and nominates such personnel for the post of Chief Executive Officer. In so doing the Board of Directors pays special attention to character, experience and skill, along with the experience and capabilities to provide strong leadership.

(11) The Board of Directors demands reports regarding the status of Executive Officers' execution of their duties, in order to supervise their execution of business matters.

(12) The Board of Directors reviews the status of implementation of IDentity, the Group's principles of action.

5. Operation of the Board of Directors

(1) In accordance with the Articles of Incorporation, and except where otherwise provided by law, the President and Representative Director convokes the Board of Directors and serves as its chair.

(2) The Board of Directors strives to foster a spirit of welcoming free, open and constructive discussion and exchange of views, including the raising of questions by Outside Directors. To support this atmosphere, the Regulations of the Board of Directors are stipulated. Also, to enhance the effectiveness of the Outside Directors, the secretariat of the Board of Directors sends out the agenda of each Board of Directors no later than three days before the meeting convenes. If any items are unclear, the secretariat provides explanations in advance, along with sufficient other information as necessary. In principle the Board of Directors meets once a month, though additional meetings may be convened when required.

(3) The Board of Directors stipulates that each person in charge of execution of business matters has a duty to attend and ensures the smooth collection of information from each person in charge of execution of business matters.

6. Evaluation of the Board of Directors

(1) Every year, the Board of Directors evaluates itself on how effectively it fulfills roles and duties that are deemed important, including its number of members, composition, methods of operation, deliberations and support systems. These evaluations of effectiveness are conducted with respect to the entire Board of Directors, drawing on self-evaluations by each Director. A summary of the results of this evaluation is disclosed.

(2) Every year, the Board of Auditors analyzes and evaluates the Board of Directors in terms of items related to business, governance, risk management and other matters, and offers constructive opinions. This inquiry draws on the deliberations of the Board of Directors and on interviews with individual Directors concerning the Board’s effectiveness in its supervision function and in the execution of business matters.

7. Directors

(1) Directors are appointed by the General Meeting of Shareholders for a term of no longer than two years.

(2) Directors bear a duty of good management and care and fiduciary duty of loyalty.

(3) Directors gather sufficient information to exercise their duties. At meetings of the Board of Directors, Directors request explanations, actively voice opinions to each other and conduct full and open discussions before exercising their voting rights.

(4) Directors strive to solve the management issues of the Group by exercising in an appropriate and timely manner their rights to propose agenda items to the Board of Directors and to request

convocation of the Board of Directors.

(5) To earn the confidence of shareholders, Directors demonstrate the capabilities expected of them and spend sufficient time to accomplish their professional duties as Directors.

8. Outside Directors

(1) With their independent perspectives, Outside Directors fulfill the functions of supervising executive action, providing advice and supervising conflicts of interest. They also reflect the opinions of stakeholders in the deliberations of the Board of Directors.

(2) The Outside Directors continuously receive information on the Group’s Corporate Philosophy, enterprise culture, management environment, and efforts regarding the ESGs and CSR through the secretariat of the Board of Directors.

(3) The Outside Directors speak freely about matters related to the corporate governance and business of the Group.

(4) With the cooperation of the secretariat of the Board of Directors, the Outside Directors strive to coordinate closely with senior management, the Board of Auditors and the Auditors.

(5) The Outside Directors request from the secretariat of the Board of Directors such additional information as they need to fulfill their roles and responsibilities effectively. If further information is needed, the Outside Directors obtain the advice of outside specialists at the Group’s expense.

(6) The Group selects from among the Outside Directors one or more Independent Outside Directors. These Independent Outside Directors satisfy the Companies Act and the requirements of the securities exchange, as well as the Criteria for Independence of Outside Officers stipulated by the Group (please refer to the appendix to these Guidelines).

9. Board of Auditors

(1) The Board of Auditors audits the Directors’ and Executive Officers’ execution of their duties, passes resolutions on motions to be submitted to the General Meeting of Shareholders regarding the appointment and dismissal of accounting auditors and on the non-appointment and reappointment of accounting auditors, exercises rights regarding remuneration for auditing, and performs such other tasks as are specified by law.

(2) The Board of Auditors coordinates with the accounting auditors and business units responsible for management auditing to establish a framework to enable sufficient and appropriate auditing.

- The Board of Auditors establishes standards for the evaluation and appointment of accounting auditors and confirms their independence and specialized expertise.
- To ensure that the accounting auditors audit the accounting appropriately, the Board of Auditors requests explanations from the accounting auditors to ensure that the necessary

standards of quality control are rigorously enforced.

- The Board of Auditors establishes an appropriate framework for response when accounting auditors discover improprieties and request appropriate action or point out deficiencies and problems.
- The Board of Auditors conduct interviews with accounting auditors and the President.
- The Board of Auditors holds regular meetings every fiscal quarter with the accounting auditors and heads of the business units responsible for management auditing.

(3) The Board of Auditors determines the Regulations of the Board of Auditors regarding the basic policies, procedures and other items necessary for the execution of duties, as well as the Accounting Standards of the Auditors governing auditing frameworks, auditing standards and guidelines for action, and accomplishes its duties with respect to the above.

10. Auditors

(1) The Auditors have a duty to secure the sound and sustainable growth of the Group and establish a robust system of corporate governance that earns the trust of society. To fulfill this duty, the Auditors audit the Directors' and Executive Officers' execution of their fiduciary responsibility to shareholders.

(2) The Auditors request from the secretariat of the Board of Directors such additional information as they need to fulfill their roles and responsibilities effectively. If further information is needed, Auditors obtain the advice of outside specialists at the Group's expense.

(3) As full-time employees, the Standing Statutory Auditors strive to implement the environment necessary for auditing and actively collect information. The Standing Statutory Auditors also routinely monitor and verify the status of construction and operation of internal control systems.

(4) The Standing Statutory Auditors share with the other Auditors the information they learn in the course of executing their duties and strive to assist the Outside Directors in securing information-gathering capabilities.

11. Outside Auditors

(1) The Outside Auditors recognize that they were appointed as required by law to enhance the independence and objectivity of the Group's auditing system and that, in view of the reasons for which they were appointed, they have a particular duty to express their audit opinions objectively and from a neutral perspective. For these reasons, the Outside Auditors speak their minds candidly and without reserve.

(2) The Group selects from among the Outside Auditors one or more Independent Outside Auditors. These Independent Outside Auditors satisfy the Companies Act and the requirements of the securities exchange, as well as the Criteria for Independence of Outside Officers stipulated by the

Group (please refer to the appendix to these Guidelines).

12. Fiduciary Responsibilities

(1) The Directors and Auditors recognize their fiduciary duty to shareholders and secure appropriate cooperation with stakeholders, working for the mutual benefit of the Group and shareholders.

(2) The Board of Directors, which is entrusted with the management of the Group by the shareholders, strives to ensure sustainable growth and improve medium-to-long-term shareholder value. When drafting management strategy and management plans, the Board of Directors sets and publishes targets for growth and profitability based on an accurate grasp of the Group's capital costs. The Board of Directors then makes every effort to achieve those targets.
With respect to the distribution of management resources and the like, the Board of Directors assesses market trends, technological innovation and other changes in the external environment and invests in fields where future growth is expected (through personnel training, R&D, M&A, etc.), to achieve the set targets. The Board of Directors describes those assessments and investments in detail in the summary of accounts, annual securities report and other disclosure documents and strives to explain them clearly in IR briefings.

13. Training of Directors, Auditors and Management Personnel

(1) When Directors and Auditors, including Outside Directors and Outside Statutory Auditors, are appointed, they undergo training to provide them with the knowledge expected of Directors and Auditors of listed companies regarding their roles and responsibilities, related laws and ordinances, and compliance. Newly appointed Outside Directors and Outside Auditors receive full explanations of the Group's businesses, finances, organization and other aspects, and every effort is made to furnish the environment they need to carry out their roles and responsibilities effectively. In addition, each Director and Auditor is encouraged to pursue a constant program of self-improvement, is provided or arranged opportunities to obtain training suited to their roles, and is broadly supported with the financial resources necessary for these pursuits.

(2) To develop a next-generation senior-management team, the ID Group implements a full complement of training programs. These include the President's Special School, taught by the President; officer training aimed at persons of executive-officer status or higher; and programs such as upper-management training and training for newly appointed deputy department managers and group managers. Candidates for senior management are chosen from a pool of select personnel and trained using tough assignments. All of these programs are monitored by the Board of Directors.

(3) Group senior management, along with the senior-management candidates described above, receive training to instill in them the knowledge and character sufficient to execute the items

specified in Chapter 2, Article 12, “Management to Improve Enterprise Value,” and Chapter 3, Article 12, “Fiduciary Responsibilities” of these Guidelines.

14. Executive Officers

(1) The Executive Officers serve a term of not more than one year. Every year the President and Representative Director suggests candidates and the Board of Directors appoints them.

(2) The Executive Officers are responsible for important duties regarding the execution of business matters for the achievement of the Corporate Philosophy, improvement of enterprise value and the long-term increase in the mutual interests of shareholders. The President and Representative Director entrusts the Executive Officers with decision-making authority over the specific execution of business matters in the fields of operation with which they are tasked. The Executive Officers execute their duties with orientation toward accomplishment of their goals.

(3) The number of Executive Officers is set at an appropriate number for the effective and efficient execution of business matters based on the decisions made by the Board of Directors.

15. Nomination and Remuneration Committee

(1) To enhance the independence and objectivity of the Board of Directors, a Nomination and Remuneration Committee is established. Composed of Outside Officers, the Nomination and Remuneration Committee serves as an advisory body to the Board of Directors regarding matters such as the nomination of candidates for Director and Auditor, Directors’ remuneration and the appointment and dismissal of senior management.
The Nomination and Remuneration Committee consists of three or more members, a majority of whom must be Outside Officers.

(2) In response to inquiries from the Board of Directors, the Nomination and Remuneration Committee deliberates on the matters listed below, offering suggestions and recommendations to the Board of Directors.

1) Establishment, change and abolition of basic policies, regulations, procedures, etc. required for the General Meeting of Shareholders to resolve motions to appoint and dismiss Directors
2) Such other items as the Nomination and Remuneration Committee deems necessary to appoint Director candidates, dismiss Directors, or conduct other appointments and dismissals of candidates with impact on the Board of Directors
3) Policies on decisions regarding remuneration of individual ID Holdings Directors (except Outside Directors) and the total amount of remuneration paid to Directors of other principal Group companies
4) Details of remuneration for individual ID Holdings Directors (except Outside Directors) and the total amount of remuneration paid to Directors of other principal Group companies

5) Establishment, change and abolition of basic policies, regulations, procedures, etc. required to resolve the previous two paragraphs
6) Such other items as the Nomination and Remuneration Committee deems necessary regarding the remuneration and other matters pertaining to the Directors (except Outside Directors) and other important personnel

(3) The Nomination and Remuneration Committee may receive reports as needed from Directors, Executive Officers and employees regarding items necessary for the execution of duties.

16. Directors' Remuneration

(1) To enhance transparency and objectivity, Directors' remuneration is determined in accordance with the Policy on Determining Officers' Remuneration, etc., which is drafted by the Board of Directors.

Policy on Determining Officers' Remuneration, etc.

The Nomination and Remuneration Committee, which is composed of Outside Directors and Outside Auditors, deliberates on the appropriateness and transparency of remuneration levels and composition and the ways in which these are applied, within the annual limit on remuneration decided by the General Meeting of Shareholders. The decision is then made by the Board of Directors. Directors' remuneration and related matters are determined by objective and transparent procedures in such a way as to provide a sound incentive for Directors to strive for sustainable growth.

1) Process of determining remuneration

The Board of Directors and Nomination and Remuneration Committee deliberate on matters such as policies on determination of Director's remuneration and amounts of remuneration. The President and Representative Director evaluates each individual Director's performance (quantitatively and qualitatively) in the fiscal year in question, based on the Regulations for the Remuneration of Directors, etc. and submits individual remuneration proposals based on the results of that evaluation to the Nomination and Remuneration Committee. The Nomination and Remuneration Committee confirms and deliberates upon the remuneration proposals received 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 amounts, drawing on the deliberations of the Nomination and Remuneration Committee.

2) Remuneration governance

To ensure the objectivity and transparency of the decision-making process regarding Group Directors' remuneration and of the appropriateness of remuneration levels, the Nomination and Remuneration Committee deliberates on the individual remuneration amounts proposed by the President and Representative Director. Giving careful consideration to the details of those deliberations, the Board of Directors determines the remuneration amounts.

3) Remuneration structure

Remuneration for Directors (except Outside Directors) consists of two components: fixed remuneration and performance-based remuneration. The fixed remuneration consists of basic remuneration for Director's duties, determined by each Director's roles and responsibilities. The standard amount for performance-based remuneration is equivalent to a third of the fixed remuneration (in other words, 25% of the total remuneration for Directors), broken down as follows: 9% monthly performance remuneration, 11% performance-based bonus and 5% stock-based remuneration (board benefit trust: BBT).

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

To ensure independence and neutrality, Outside Directors' remuneration is limited to fixed remuneration. Auditors' remuneration is determined by and in consultation with the Board of Auditors. As with Outside Directors, Auditors are paid fixed remuneration only.

4) Indices for evaluation and methods of determination of performance-based remuneration

Performance-based remuneration consists of monthly remuneration and bonus for Directors (except Outside Directors) based on the Group's performance in the fiscal year in question plus stock-based remuneration (BBT), which is provided as an incentive to align Directors' interests with those of shareholders.

Performance indicators include the quantitative performance indicators of consolidated net sales and consolidated net income and the qualitative performance indicator of degree of achievement of the strategic targets of the medium-term management plan. Consolidated net sales and consolidated net income are set as performance targets in the medium-term management plan. Achievement of the targets in the medium-term management plan can be evaluated directly, so they are selected as quantitative performance indicators.

5) Stock-based remuneration

For Directors (except Outside Directors), a BBT is introduced. The purposes of this system are to clarify the interrelations among Directors' remuneration, the Group's business results and share values, and to incentivize Directors to contribute to medium-to-long-term growth in business results and increase in corporate value.

6) Timing of remuneration payment

The monthly remuneration is paid every month as decided by conference of the Board of Directors (for Directors) and the Board of Auditors (for Auditors). Stock-based remuneration is paid when officers retire.

17. Internal Controls

(1) Comprehensive internal controls governing the entire ID Group are a vital element in earning the trust of shareholders. Based on the terms of the Companies Act, the Board of Directors stipulates and operates the Basic Policy on Overhaul of Internal Control Systems.

(2) To confirm the status of implementation and operation in accordance with the stipulations of the Basic Policy on Overhaul of Internal Control Systems mentioned in paragraph (1) above, the Board of Directors asks the President and Representative Director to provide suitable reports on the status of operation of internal control systems and supervises said operation.

18. Support Systems

(1) The business units responsible for management auditing complement the duties of the Auditors and otherwise support the activities of the Auditors.

(2) When so requested, the business units responsible for management auditing, along with other executive bodies, actively provide the appropriate Directors and Auditors with the information they need to execute their duties.

19. Accounting Auditors

(1) The Group recognizes that accounting auditors have a responsibility to uphold the reliability of the financial reports provided to shareholders and investors. Accordingly, the Group works with accounting auditors to respond appropriately to audits.

(2) The accounting auditors must maintain their independence from the Group.

(3) The accounting auditors must carry out their duties in a systematic manner to manage the quality of audits.

Chapter 4 Other

1. Exemptions

(1) If the need arises to provide exemptions to these Guidelines, the Board of Directors must clarify the reasons for such exemptions and clearly indicate that appropriate measures have been taken in

consideration of the purport of these Guidelines.

2. Establishment, Revision and Abolition

(1) The provisions listed in the annexed table of regulations on regulation management (List of Regulations by Category) apply to the establishment, revision and abolition of these Guidelines.

Established	November 18, 2015
Revised	May 25, 2021

Appendix

Complementing the standards for independence established by Tokyo Stock Exchange, Inc., the ID Group establishes criteria for securing the independence of Outside Directors and Outside Auditors (hereinafter “Outside Officer(s)”) as follows.

Criteria for Independence of Outside Officers

The Group judges an Outside Officer to be independent if said Outside Officer does not correspond to any of the following.

1. An executor of business matters at a company, etc. that is a major business partner of the Group
2. An executor of business matters at a company, etc. for which the Group is a major business partner[1]
3. An executor of business matters at a company, etc. that is a major lender[2] to the Group
4. A person who provides specialized services, such as a consultant, lawyer or certified public accountant (including members of companies, associations or other organizations that provide such services), who receives significant money or other assets[3] from the Group other than officers’ remuneration
5. A current major shareholder[4] of the Group or executor of business matters thereof
6. An executor of business matters of a company in which the Group is a current major shareholder[4]
7. An executor of business matters at an organization that receives significant donations[5] from the Group
8. A person who corresponded to any of items 1 through 7 above within the past three years
9. The spouse or relation in the second degree or closer of a person who corresponds to any of items 1 through 8 above

Notes

1 Refers to a business partner of the Group whose transactions with the Group account for over 2% of the Group’s or the customer’s consolidated net sales in the most recent fiscal year.

2 “Major lender” refers to an organization whose loans to the Group are equivalent to over 2% of the Group’s consolidated net sales in the most recent fiscal year.

3 “Significant money or other assets” refers to assets totaling over ¥10 million in the most recent fiscal year, not including officer’s remuneration received from the Group.

4 “Major shareholder” refers to an owner of 10% or more of total shares in the Group on a voting-rights basis at the end of the most recent fiscal year, either in the person’s own name or in another’s.

5 “Significant donations” refers to receipt of donations from the Group totaling over ¥10 million in the most recent fiscal year.

Please note that even a person who does not satisfy these criteria may be designated an Independent Officer if the Group judges that said person is independent and discloses the reason for that judgement.