



# Governance

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## A commitment to effective governance

The IDEC Group is further enhancing its governance system to ensure management transparency and effectiveness on behalf of its shareholders and other stakeholders.

For further information, please refer to the "Governance" of the IDEC sustainability website.

<https://us.idec.com/idec-us/en/USD/sustainability/governance>



### Related materialities

Business foundation

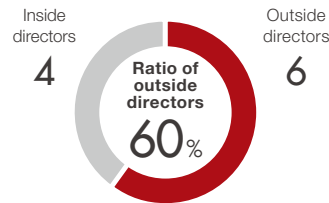
### Major sustainability KPIs (FY2025)

- Further strengthen governance and compliance to ensure that the company is trusted by society.
- Number of items with below average scores in the Board of Directors' effectiveness assessment **20% or less**
- Number of serious legal violations **0**

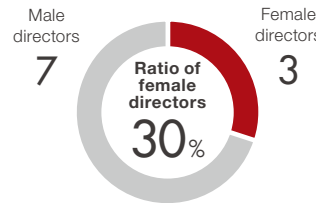
## Features of IDEC's governance

- 1 Outside directors represent more than half of all directors, and all of them are independent officers
- 2 Females make up 30% of the Board of Directors
- 3 The effectiveness of the Board of Directors has been continuously evaluated since FY2016
- 4 Outside directors actively participate in outside directors' exchange sessions and other events

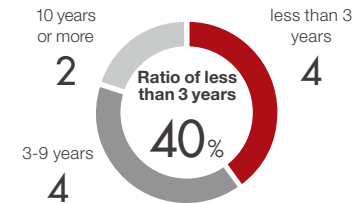
Ratio of outside directors  
(As of June 30, 2023)



Ratio of female directors  
(As of June 30, 2023)



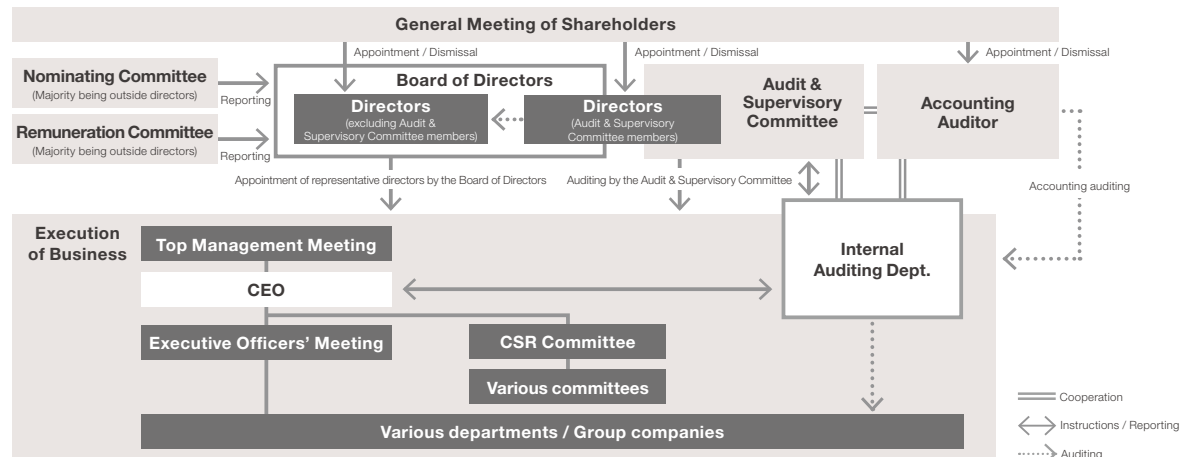
Time as director  
(As of June 30, 2023)



## IDEC Corporate Governance Policy

The basis of the IDEC Group's corporate governance is to ensure management transparency and effectiveness for the sake of shareholders and other stakeholders. For this reason, we assign outside directors and separate the management supervisory function from the executive function so as to always maintain a high priority on transparency and effectiveness.

Guided by these principles, we formulated and issued the IDEC Corporate Governance Policy to improve our corporate value in line with "The IDEC Way," which was established in 2019. We are taking action under this policy to further strengthen our governance practices so that we can govern our company more effectively.



## Evolution of governance

The IDEC Group has separated the business executive function and the supervisory function of the management in order to realize efficient corporate management, and has proactively appointed outside directors since early on. In 2016, the IDEC Corporate Governance Policy was established to set forth and communicate our views on governance and our operating policy. In June 2018, we transformed into a Company with an Audit & Supervisory Committee. We established a voluntary Nominating Committee in 2021, and a Remuneration Committee in 2022.

We have ensured that outside directors constitute the majority of all directors since 2016. Today, the Board of Directors is a diverse body made up of men and women with different backgrounds and areas of expertise.

## Policy for cross-shareholding

In the interest of maintaining its financial health, the IDEC Group does not, in principle, hold shares in other companies except when there is a rationale for doing so.

A rationale for cross-shareholding exists when the Board of Directors has decided that a particular case of cross-shareholding promises to increase the IDEC Group's corporate value by realizing synergies and improving both sides' competitive advantages in the market. Such decisions must be based on a validation of the profitability of the cross-shareholding relationship that duly examines the risks, costs, and returns involved from a medium to long-term perspective, and must comprehensively consider the intended aims, such as maintaining and strengthening a business relationship or establishing a capital or business alliance.

Furthermore, the Company regularly validates the significance of existing cross-shareholdings in light of various criteria, including the purpose of holding those shares. If a particular case of cross-shareholding is determined to be inappropriate, the shares are sold off after taking into account diverse considerations such as the impact on the Company and the market, and the issuer's financial strategy.

## Internal control system

To ensure the credibility of our Group's financial reporting, we have established the Internal Control Policy on Financial Reporting and clearly defined our Group-wide system for implementing that policy, in line with standards for assessing internal controls on financial reporting. We have also created a framework for continuous self-auditing by divisions and Group companies and independent monitoring by the Internal Auditing Department.

## Constructive dialogue with shareholders, investors, and analysts

We proactively engage with our shareholders and investors to gain their confidence in and fair evaluation of our management, with the aim of facilitating the IDEC Group's sustainable growth and improving its corporate value over the medium to long-term.

This includes diligently responding to requests for interviews from shareholders and individual and institutional investors. Information acquired from those interactions, including appraisals and opinions concerning markets, is regularly reported to the Board of Directors.

In FY2023, we received the opinions of shareholders and investors on matters such as the activities of outside directors, the efforts of the Nominating Committee and Remuneration Committee, training of next-generation executive candidates, and our environmental initiatives. These opinions were shared as feedback with the Board of Directors, and we are taking concrete action to address them, while working to further expand disclosure. We are also continuing to enhance investor relations tools such as our Shareholder Newsletter and website to better help shareholders and individual investors make informed investment decisions. At the same time, we proactively disclose our financial results, management strategy, and sustainability actions, and publish news and features on various topics.

