Governance

7

7. Governance

The ID&E Group maximises enterprise value through strengthened supervisory functions, enhanced transparency, and agile business execution. We recognise governance in sustainability as the foundation for delivering high-quality services consistently and as the source of our competitive advantage. This section outlines our governance framework, decision-making processes, ethics and compliance systems, and risk management practices that underpin our Group's sustainability performance.

7.1 Corporate Governance

7.1.1 Policy and Approach

The ID&E Group's fundamental approach centres on meeting stakeholder expectations and maximising corporate value by strengthening management oversight functions, ensuring transparency, establishing agile business execution systems, and enhancing corporate governance effectiveness.

7.1.2 Corporate Governance Structure Diagram

Governance Body	Purpose	Meeting Frequency	Composition	Chair
Board of Directors	Deliberates and decides on matters stipulated by law and fundamental management issues whilst supervising directors' execution of duties	Monthly	Comprises 7 directors, with 1 Audit & Supervisory Board member in attendance	Representative Director and President
Board of Executive Officers	Based on management policies determined by the Board of Directors, makes decisions on important Group management matters and oversees Group management advancement	Twice a month	9 members comprising the chair and executive officers, plus Audit & Supervisory Board members	Representative Director and President
Sustainability Promotion Council	Formulates and promotes strategies for sustainability advancement (management promotion and business promotion) across the entire ID&E Holdings Group	Quarterly	14 members comprising the chair and officers	Director and Chairperson
Risk Management Council	Based on the Company's Basic Policy on Internal Control, oversees comprehensive risk management advancement across the Group	Monthly	10 members, comprising the President (Chair), executive officers, the Senior Compliance Officer, and external legal counsel. Observers include one Audit & Supervisory Board member, the Audit Office Manager, and the Head of the Audit Department	Representative Director and President
Health, Safety and Working Environment Council	Ensures thorough health and safety management to prevent human and equipment disasters whilst creating comfortable workplace environments and contributing to employee welfare improvement and sound corporate development	Quarterly	5 members selected by the Board of Executive Officers, plus 1 occupational physician as observer	Executive Officer responsible for Health and Productivity Management
Internal Control over Financial Reporting Council	Established to implement evaluation systems for internal control over financial reporting under the Financial Instruments and Exchange Act, ensuring financial reporting reliability through member roles	Quarterly	10 members comprising the chairperson and internal control officers from main companies	Executive Officer responsible for Management Administration
Information Security Council	Addresses information security challenges across Group companies, preventing information security incidents and implementing risk management according to information security risk levels to establish Group-wide information security governance and advance information security management	Quarterly	6 members selected by the Board of Executive Officers	Executive Officer in charge of Corporate Strategy and IT
Management Strategy Council	Deliberates and formulates policies, strategies, and plans aimed at maximising the corporate value of the ID&E Group and achieving optimal group-wide management	Quarterly	9 members, including the chair, Director and Chairperson, and Executive Officers.	Representative Director and President
Co-Creation Strategy Council	Based on business and technology strategies of each Group company, examines and promotes collaboration strategies to achieve synergy effects and optimise ID&E Group business operations	Quarterly	7 members comprising business strategy (or technology strategy) officers from main group companies (Director General level), and officers from Nippon Koei Business Partners' Sales & Regional Management Division and Management Administration Division (Director General level)	Executive Officer in charge of Corporate Strategy and IT
Business Promotion & Regional Strategy Council	Conducts information exchange for planning and executing sales and regional strategies and promoting segment collaboration	Two groups with online meetings in principle bi-monthly, plus two joint face-to-face meetings annually	10 members comprising the chairperson, regional managers, deputy regional managers, and Management Strategy Division managers	Executive Officer responsible for Sales & Regional Management
Human Resources Strategy Council	Discusses and examines human resource development and utilisation at ID&E Holdings and domestic main companies	6 times a year	6 members comprising the chair, presidents and vice presidents of Japanese main group companies	Representative Director and President

7.2 Compliance

7.2.1. Policy and Approach

In the global business environment, legal compliance and ethical conduct are paramount, with international frameworks such as the UN Global Compact forming the foundation of corporate activities.
The ID&E Group defines compliance as "conducting honest and fair corporate activities that comply with laws and internal rules whilst adhering to social norms." We pursue fair and transparent management based on our recognition that thorough compliance is the source of enhanced enterprise value.

ID&E Group Code of Conduct

The ID&E Group's management philosophy is: "Act with integrity and contribute to society through technology and engineering." To put this philosophy into practice, we have established the ID&E Group Code of Conduct as a common set of behavioural standards for all Group companies. This framework ensures adherence not only to legal requirements but also to ethical standards and societal expectations. By embedding these principles into daily actions, every officer and employee strengthens compliance and contributes to enhancing corporate value.
The Code of Conduct has been translated into seven languages, including English and Spanish. Employees worldwide are required to acknowledge and comply with it, ensuring transparent management systems and fostering trust-based relationships across the Group. Under the ID&E Group Sustainability Management Framework, we have also formulated our Acting with Integrity Policy, promoting initiatives that encourage every employee to recognize its importance and take appropriate action.

▶ ID&E Holdings Acting with Integrity Policy

Integrity Compliance Programme

The ID&E Group established its Integrity Compliance Programme (ICP) in February 2025. The ICP requires officers and employees throughout our Group to comply with laws, act with integrity and honesty, and take responsibility for their actions. It also provides management guidelines and procedures for those in positions of management and supervision of business operations.
Specific initiatives within the ICP include prohibiting corrupt practices, defining leadership responsibilities, conducting employee due diligence, establishing rules for entertainment and gifts, and ensuring transparency in business partner relationships. Furthermore, we enhance compliance awareness throughout the organisation by establishing internal reporting systems, conducting regular risk assessments, and promoting compliance education.
The ICP aligns with the World Bank's Integrity Compliance Guidelines for corporate ethics and compliance frameworks.

7.2 Compliance

7.2.2 Compliance Structure

Based on the Group Compliance Regulations and ICP, the ID&E Group has established compliance departments or officers at each company to enhance compliance across the Group. Principal roles include:
- ・Ensuring compliance with social norms, laws, and internal regulations, and promoting comprehensive compliance activities
- ・Operating and managing each company's compliance programmes
- ・Establishing and promoting anti-bribery frameworks across the ID&E Group

Compliance departments or officers at each company report compliance matters to presidents of main Group companies, who in turn report to the President of ID&E Holdings. ID&E Holdings appoints a Chief Compliance Officer to oversee all compliance matters, with the authority and responsibility to report issues directly to the Board of Directors from an independent position when necessary.

The ID&E Group has established the Risk Management Council as an organisation overseeing compliance and risk management, conducting deliberations and information exchange on important matters. Subordinate Risk Management Committees at domestic main Group companies are established, and when compliance-related risk events occur, they are reported to and addressed by each company's Risk Management Committee or the Risk Management Council according to risk level. Additionally, the Group Compliance Liaison Committee, comprising compliance department heads from domestic main Group companies, shares information and raises awareness regarding Group-wide compliance and risk management associated with business activities.

Compliance Structure

7.2.3 Initiatives and Achievements

1. Anti-Corruption Mechanisms

Anti-Bribery Prevention

The ID&E Group operates globally across various countries, and whilst advancing business in collaboration with local administrative agencies, the possibility exists of facing risks where improper financial benefits may be solicited. To address such risks, the ID&E Group is a signatory to the UN Global Compact, incorporating and adhering to its 10 principles across four areas: human rights, labour, environment, and anti-corruption. We prohibit pursuing profits through improper means and conduct sales activities in compliance with laws under fair, transparent, and free competition.

To ensure thorough compliance, we have established and operate internal regulations including Anti-Bribery and Corruption Regulations, principally prohibiting the provision of benefits to public officials. When exceptional benefit provision occurs, we prevent corruption risks by clearly defining approval standards and procedures.

Should any cases arise within the ID&E Group involving suspected bribery, legal action, or fines and penalties, these are promptly reported to ID&E Holdings. No such cases occurred during FY 2025/06.

Consultation and Reporting System

The ID&E Group has established Group Consultation and Reporting System Regulations, whereby employees who become aware of actions that violate or may violate compliance can directly consult with or report to compliance departments or external legal counsel.

Japanese entities operate principally in Japanese, whilst overseas entities operate principally in local languages.

This system is available to officers, employees, temporary staff, and partner company employees of the Company and Group companies (including those within one year of retirement).

Internal Reporting within Main Group Companies (case number)

FY 2022/ 06	FY 2023/ 06	FY 2024/ 06	FY 2025/ 06
7	12	30	22

*Figures up to FY2023/06 represent consultation and reporting cases at Nippon Koei prior to corporate restructuring.

2. Group Compliance Awareness Survey

The ID&E Group conducts annual Group Compliance Awareness Surveys targeting Group employees including overseas entities to accurately understand current compliance awareness and challenges and improve compliance activity effectiveness. All surveys are conducted anonymously, with results disclosed to employees and reflected in compliance activity improvements and enhancements.

3. Compliance Training

We implement compliance training by career level, including Group Compliance Seminars for officers and senior employees and Group Compliance Training for employees. Each training session focuses intensively on laws closely related to our Group's operations, providing instruction on cause analysis and prevention measures using specific cases wherever possible. Additionally, utilising our Group's E-learning system, we conduct learning and confirmation tests on themes such as antitrust law compliance and harassment prevention, establishing a framework for employees to continuously learn about compliance.
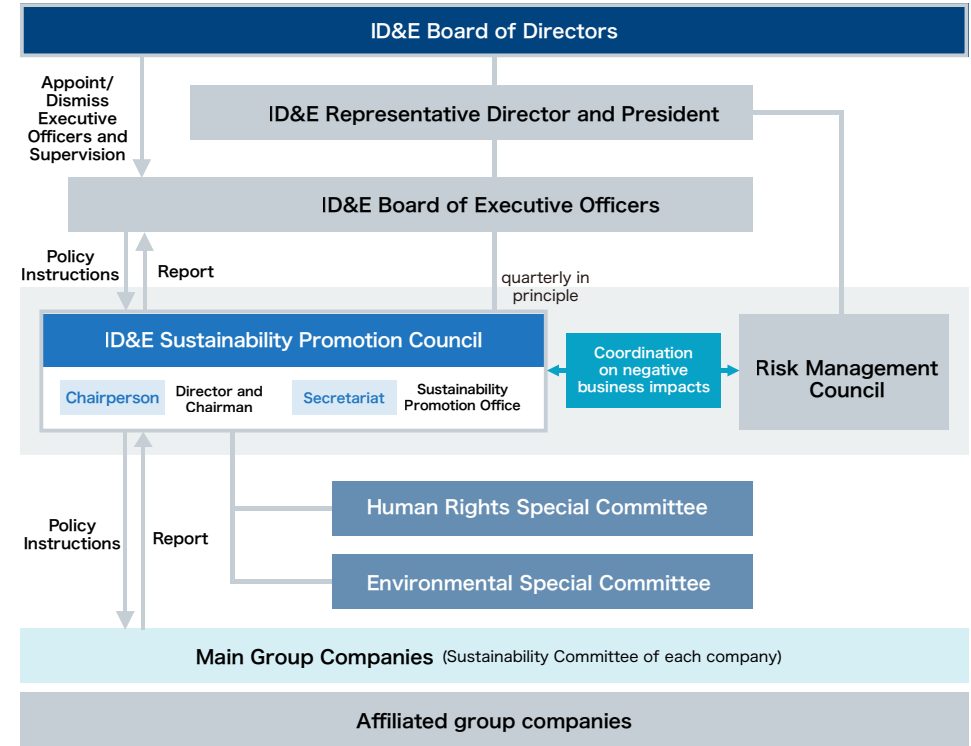
7.3 Risk Management

7.3.1 Policy and Approach

The ultimate goal of risk management aligns with sustainability objectives: ensuring corporate continuity and growth. Therefore, we address sustainability-related risks that may adversely affect our Group's business operations; through our Sustainability Promotion Council, which collaborates closely with the Risk Management Council.

To address high-impact human rights risks, we established the Human Rights Specialised Committee in July 2024. This committee comprises executive officers and director generals from main companies and undertakes the following initiatives:

① Operating and improving the Human Rights Foundational Policy
② Implementing human rights due diligence
③ Identifying, specifying, and responding to human rights risks
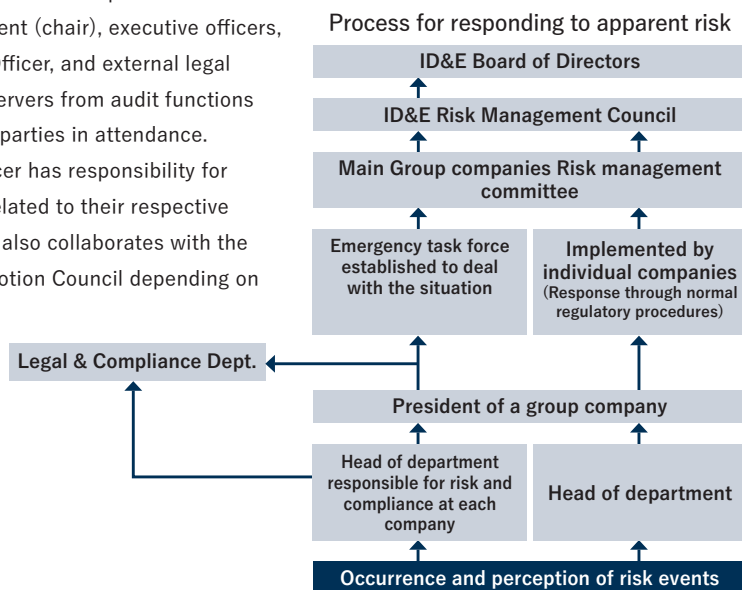④ Establishing remedial measures

Collaboration Image Between Sustainability Promotion Council and Risk Management Council

7.3 Risk Management

7.3.2 Risk Management Structure

The ID&E Group has established the Risk Management Council as the comprehensive risk management organisation. This Council systematically identifies and evaluates risks across the Group whilst promoting appropriate countermeasures and preventive measures.

The Risk Management Council (meeting monthly in principle) operates based on Group Risk and Crisis Management Regulations, with the mandate to conduct comprehensive risk control across the ID&E Group associated with global and wide-ranging business execution whilst minimising losses. Specifically, it identifies, evaluates, and manages risks preventively, issues crisis response instructions, and monitors and guides response situations. The Risk Management Council comprises 10 members: our Representative Director and President (chair), executive officers, Chief Compliance Officer, and external legal counsel, with 3 observers from audit functions and 5 other related parties in attendance.

Each executive officer has responsibility for risk management related to their respective duties. The Council also collaborates with the Sustainability Promotion Council depending on risk content.

Process for responding to apparent risk

ID&E Board of Directors

ID&E Risk Management Council

Main Group companies Risk management committee

Emergency task force established to deal with the situation | Implemented by individual companies (Response through normal regulatory procedures)

Legal & Compliance Dept.

President of a group company

Head of department responsible for risk and compliance at each company | Head of department

Occurrence and perception of risk events

7.3.3 Risk Management Process

Each Group company comprehensively identifies risks it holds and develops Risk Management List. For critical risks where impact and frequency exceed certain criteria, individual Risk Management Forms are created with quarterly monitoring implementation. This monitoring evaluates risk countermeasure implementation status and effectiveness, reporting results to each company's Risk Management Committee and the ID&E Risk Management Council. Furthermore, as part of risk management, we promote establishing the following frameworks:

· **Business Continuity Planning (BCP):** Constructing systems to continue critical operations even during natural disasters or major incidents.
· **Quality and Environmental Management Systems:** Implementing continuous improvement for product and service quality assurance and environmental impact reduction.
· **Information Security Organisational Structure:** Establishing management systems to address cyber risks and information leakage risks.

7.3.4 Identification, Assessment, and Management of High-Priority Sustainability-Related Risks

Among sustainability-related risks, the ID&E Group integrates those judged to have particularly significant impact on business growth into our Group Risk Management Plan in collaboration with the Risk Management Council. During FY 2025/ 06, we integrated three human rights-related risk items into the Group Risk Management Plan. This ensures sustainability-related risks are evaluated and managed holistically alongside other business advancement risks across the Group. We will continue ensuring consistency between sustainability-related risks and Group-wide risk management systems whilst providing timely and appropriate responses.