

## The voluntary Nominating Committee and succession planning

We established a voluntary Nominating Committee in 2021 as an advisory body to the Board of Directors for objective, independent decision-making on director nominations and plans for developing next-generation executive candidates. The committee is made up of a majority of outside directors and frankly communicates its objective opinions on candidate selection and training to the management.

Our succession planning program seeks to continually cultivate talent who can help lead our sustainable growth

worldwide. Candidates for representative director and other executive positions are provided with general management training tailored to their future duties, and with opportunities to participate in important meetings, including the Top Management Meeting and the Executive Officers' Meeting.

The Nominating Committee receives reports on the progress of development of candidates, and expresses opinions on succession planning to the Board of Directors.

## Policy and procedure for director appointment and dismissal

The process of selecting candidates for directorships is based on a skills matrix outlining the expected skills and other requirements. The Nominating Committee recommends candidates to the Board of Directors on the basis of the skills matrix review, and the nominations are made part of the agenda of the General Meeting of Shareholders through voting at a Board of Directors meeting attended by a majority of independent outside directors.

Directors who are deemed to no longer possess the expected skills and qualities of their position are considered for dismissal. Also, if a director is found to have violated laws, regulations, the articles of incorporation, or otherwise be unfit for the discharge of their duties, the Board of Directors, acting on a report by the Nominating Committee, votes on whether to include a proposal for the director's dismissal in the General Meeting of Shareholders agenda. This vote must be made at a meeting attended by a majority of independent outside directors.

## Correspondence between medium-term management plan and director skill areas

Four basic strategies of the medium-term management plan >> P.19

Four Basic Strategies	Action Themes	Required Skill Elements
 <b>Promote growth strategy</b>	• Strengthen sales based on technical problem-solving	<ul style="list-style-type: none"> <li>• International business</li> <li>• Sales and marketing</li> <li>• R&amp;D and manufacturing</li> </ul>
	• Accelerate product development and sales on regional and industry needs	
	• Expand business in China, India and other focus markets	
	• Build strategic partnerships through M&A and alliances	
 <b>Improve profitability</b>	• Strengthen competitiveness through production reform	<ul style="list-style-type: none"> <li>• R&amp;D and manufacturing</li> <li>• IT strategy</li> </ul>
	• Reduce manufacturing costs through Group-wide joint procurement, part standardization, etc.	
	• Review and consolidate low-profit and unprofitable products	
 <b>Enhance business foundation</b>	• Strengthen business structure by promoting PMI and rigorous management of key projects	<ul style="list-style-type: none"> <li>• IT strategy</li> <li>• Personnel affairs and development</li> </ul>
	• Increase operational efficiency by promoting DX	
 <b>Enhance ESG initiatives</b>	• Promote initiatives to reduce environmental impacts	<ul style="list-style-type: none"> <li>• Personnel affairs and development</li> <li>• Legal affairs and risk management</li> <li>• Environmental measures</li> </ul>
	• Strengthen corporate platform by advancing decent work practices, promoting diversity, and increasing investment in human capital	
	• Improve management transparency and effectiveness	
	• Create well-being through safety and ANSHIN technology	
	• Improve product quality and manufacturing capabilities	

Skills matrix of the Board of Directors >> P.59

Skill area	No. of relevant directors	Enhancement priority
Corporate management and management strategy	5	
Legal affairs and risk management	4	
Personnel affairs and development	7	
Financing and accounting	3	
R&D and manufacturing	4	○
Sales and marketing	6	○
International business	8	○
Industry knowledge	5	
IT strategy	3	○
Environmental measures	3	

## Activities of the Nominating Committee and Remuneration Committee

(April 1, 2022 – March 31, 2023)

We established a voluntary Nominating Committee in 2021 as an advisory body to the Board of Directors for objective, independent decision-making on director nominations and plans for developing next-generation executive candidates. We also created a voluntary Remuneration Committee in 2022 to review and deliberate on remuneration systems.



A Remuneration Committee meeting

### • Nominating Committee members

Chairman	
<b>Toshi K. Funaki</b>	Representative Director Chairman
Members	
<b>Hiroshi Kobayashi</b>	Outside Director
<b>Yasuo Himeiwa</b>	Outside Director, Certified Accountant
<b>Michiko Kanai</b>	Outside Director, Lawyer

### • Remuneration Committee members

Chairman	
<b>Toshi K. Funaki</b>	Representative Director Chairman
Members	
<b>Hiroshi Kobayashi</b>	Outside Director
<b>Hideyuki Ohkubo</b>	Outside Director
<b>Yasuo Himeiwa</b>	Outside Director, Certified Accountant
<b>Michiko Kanai</b>	Outside Director, Lawyer

### Nominating Committee Activities

Date	Meeting	Main focuses	Participants
<b>Sept. 14, 2022</b>	Training Report Meeting	Training reports by next-generation executive candidates	3 members
<b>Nov. 2, 2022</b>	Preliminary Briefing	Briefing and preliminary questions on Nominating Committee discussions, training reports by next-generation executive candidates	3 members
<b>Nov. 8, 2022</b>	1st Meeting of the Nominating Committee	Skills matrix-based recommendation of candidates for new director appointments for next fiscal year, and scheduling of successor training	All members
<b>Dec. 7, 2022</b>	2nd Meeting of the Nominating Committee	Confirmation of director candidates for next fiscal year and scheduling of future nominations	All members
<b>Mar. 23, 2023</b>	3rd Meeting of the Nominating Committee	Decision on content of report to director candidates	All members

## Introducing a new director and IDEC's succession plan

The voluntary Nominating Committee established in 2021 discussed the selection of next-generation executive candidates and how to train them, and then developed and launched a succession plan for cultivating tomorrow's executive leadership.

In its second year, FY2023, the committee carried out a training program for people selected as next-generation executive candidates. The training included activities such as external seminars, one-on-one action learning

sessions with outside directors, and lectures on specialized topics. The candidates were also given opportunities to attend sessions of the Top Management Meeting and the Board of Directors' Meeting to directly experience actual management issues and come into close contact with executive officers and directors. In its third meeting of FY2023, the committee discussed and reported the selection of director candidates for the next fiscal year from among the next-generation executive candidates.



### New Director

Newly appointed Director  
**Takao Funaki**

Takao Funaki joined IDEC CORPORATION (USA) in 1995, working in the IT and Marketing departments. Later, he moved to IDEC CORPORATION's Marketing department and was put in charge of global strategy. Afterwards, he headed IDEC Australia and then IDEC Germany, where he oversaw the realignment of IDEC's European organization. He also launched the digital marketing transformation project and led the development of global marketing platform. Starting in FY2023 he concurrently served as Executive Officer in charge of US Business and President of APEM Inc., working to strengthen our business in North America. As a director newly appointed in FY2024, he is in charge of not only our North American business, but also manufacturing, procurement & SCM, and is working hard to reform our production systems worldwide.

### Remuneration Committee Activities

Date	Meeting	Main focuses	Participants
<b>Nov. 2, 2022</b>	Preliminary Briefing	Briefing and preliminary questions on Remuneration Committee discussions and grand design for remuneration	4 members
<b>Nov. 8, 2022</b>	1st Meeting of the Remuneration Committee	General discussion of grand design for executive remuneration	All members
<b>Dec. 7, 2022</b>	2nd Meeting of the Remuneration Committee	Discussion of grand design for remuneration systems, and system details	All members
<b>Mar. 23, 2023</b>	3rd Meeting of the Remuneration Committee	Decision on remuneration systems to be applied in the next fiscal year	All members

## Establishment of voluntary Remuneration Committee

As was indicated by the results of the survey on the effectiveness of the Board of Directors and by other observations, there were issues in the design of our system of remuneration for directors, and a need to establish a Remuneration Committee. We launched a voluntary Remuneration Committee with a majority of outside directors on October 1, 2022 as a body for reviewing and deliberating on the director remuneration system. Since then, the committee has been examining remuneration system proposals.

Through this committee, we are working to increase objectivity and transparency in not only next-generation executive training and selection, but also the remuneration decision-making process.

In FY2023, the committee reviewed and discussed our officer remuneration system with the input of outside experts. Using the insights gained, the committee developed a new grand design for remuneration.

### System for reviewing officer remuneration systems



### Overview of new remuneration system

Remuneration for directors other than outside directors and directors who are Audit & Supervisory Committee members comprises basic remuneration (a fixed amount based on position), performance-linked remuneration (bonus), and non-monetary (share-based) remuneration, calculated in a ratio of 60 : 25 : 15. Remuneration for outside directors and directors who are Audit & Supervisory Committee members is limited to fixed basic remuneration, in the interest of preserving the independence of their management oversight role.

- Basic remuneration**  
 Fixed monthly amount determined by comprehensively taking into account the director's position/duties and the Company's performance.
- Performance-based remuneration (bonus)**  
 Performance-based cash remuneration whose amount reflects the relevant KPIs. The amount is paid in 12 equal monthly installments, together with the monthly basic remuneration. Specifically, the amount is calculated by multiplying the standard bonus set for the position by a payout coefficient (0–200%) indicative of the director's performance for the fiscal year.
- Non-monetary (share-based) remuneration**  
 Comprises performance share units as a medium-term incentive, and restricted stocks as a long-term incentive.  
 Performance share units are provided in the form of the Company's common stock, subject to restrictions on transfer. The amount is based on a finalized number of share units calculated by multiplying the number of share units provided to each position by a payout coefficient reflecting the degree of achievement of financial KPIs and nonfinancial KPIs (e.g., CO<sub>2</sub> reduction rate) that are focuses of the medium-term management plan.  
 Restricted stocks are provided in the form of the Company's common stock, subject to restrictions on transfer. The amount is equivalent to a standard amount determined by taking into account the Company's performance, the scope of the director's duties, and various circumstances. In cases where the director is not a resident of Japan as of the provision of share-based remuneration, an equivalent amount of phantom shares is provided in lieu of performance share units and restricted stocks.  
 In cases where a director is guilty of serious misconduct, violations, etc., the Board of Directors will, based on the report made by the Remuneration Committee, demand forfeiture or repayment of the director's bonus and share-based remuneration, partially or in full.

Remuneration at the individual level is discussed by the Remuneration Committee, which reports the results to the Board of Directors. Decisions on matters concerning individual remuneration are made solely by the CEO at Board meetings where independent outside directors constitute the majority. In making these decisions, the CEO is expected to respect the Remuneration Committee's report.

	Short-term remuneration Incentive to achieve the fiscal year plan	Medium-term remuneration Incentive to achieve the medium-term management plan	Long-term remuneration Incentive to improve corporate value	Approx. weight
Share-based remuneration		Residents of Japan PSU 10%	RS 5%	40%
		Non-residents of Japan Phantom shares		
Cash remuneration	Bonus 25%			60%
Fixed remuneration	Basic remuneration 60%			

	Formula	Linkage	
		At payment	When rights are established
Bonus	Base amount × Corporate performance coefficient × Individual assessment coefficient	Corporate performance & individual assessment * Level of preceding fiscal year's operating income margin	-
PSU	3-year total number of share units provided, as set for the position × Corporate performance coefficient (including nonfinancial assessments) × Individual assessment coefficient	Corporate performance & individual assessment * Achievement rate for final fiscal year of medium-term management plan (Number of shares provided each year is fixed)	Share price when rights established * Fluctuation in asset value
RS	Number of restricted stocks provided, as set for each position	- (Number of shares provided each year is fixed)	Share price when rights established * Fluctuation in asset value

\* PSU: performance share units, RS: restricted stocks