

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

## Corporate Governance Report

Last Update: December 13, 2021

**Marumae Co., Ltd.**

President and Representative Director: Toshikazu Maeda

Contact: [inquiry\\_en@marumae.com](mailto:inquiry_en@marumae.com)

Securities Code: 6264

<https://www.marumae.com/en/>

The corporate governance of Marumae Co., Ltd. (the “Company”) is described below.

### I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile, and Other Basic Information

#### 1. Basic Views

In order to increase management transparency and make corporate governance work effectively based on compliance with laws and regulations, the Company acknowledges that it is important to establish and maintain an organizational structure that responds quickly and accurately to severe changes in the business environment and a fair management system that places importance on shareholders.

#### **[Reasons for Non-compliance with the Principles of the Corporate Governance Code] [Updated]**

This section is based on the corporate governance code revised in June 2021.

##### **Supplementary Principle 2-4-1**

The Company recognizes the importance of ensuring diversity including the promotion of workplace advancement for women, and it is working to achieve this by appointing women to management positions as well as appointing its first female outside director. The Company promotes mid-career employees to management positions based on a comprehensive assessment of their skills and experience. However, it realizes that the number of women in managerial positions is currently inadequate. It will strive to develop human resources and improve its internal environment to increase the ratio of female managers in its core human resources in the future. Taking into consideration the Company’s size, corporate structure, and business areas, the Company is not currently appointing people from abroad to managerial positions. However, the Company is accepting foreign trainees at its factory.

##### **Principle 4-8: Effective Use of Independent Outside Directors**

Out of eight directors at present, the Company has appointed four outside directors as independent outside directors. It believes that the current composition of directors is appropriate after

comprehensively taking into account its management scale, business characteristics, and surrounding environment.

**Supplementary Principle 5-2-1**

The Board of Directors will discuss the formulation of basic policy regarding the business portfolio and consider the disclosure of this policy.

**[Disclosure Based on the Principles of the Corporate Governance Code] [Updated]**

This section is based on the corporate governance code revised in June 2021.

**Principle 1-4: Cross-shareholdings**

The Company holds shares in its business partner, an unlisted company, with the aim of enhancing its corporate value over the medium and long term by building a long-term relationship of trust with the partner. The Company deems this cross-shareholding necessary based on a comprehensive assessment of the need for cooperative relationships and the need to maintain and enforce transactions. When executing voting rights, the Company takes into consideration not only whether the proposal conforms to its holding policy, but also whether it is expected to increase the corporate value of the issuing company.

**Principle 1-7: Related Party Transactions**

Under the “Regulations of the Board of Directors,” the Company requires directors to obtain the approval of the Board of Directors in the event that they engage in transactions with a director or a company that a director substantially controls (competitive transactions, principal transactions, or transactions with conflicts of interest, hereinafter collectively referred to as “related party transactions”). The Company also requests directors to submit once a year a “Related Party Investigation and Confirmation Form” to report whether there are any related party transactions and the details of such transactions. The Accounting Section of the Administration Headquarters verifies the submitted information against accounting data, and reports to the Board of Directors any existence of, and details related to, related party transactions in the “Related Party Transaction List.”

**Principle 2-6: Roles of Corporate Pension Funds as Asset Owners**

The Company has determined that Principle 2-6 does not apply to the Company because it has not introduced a company pension plan or a defined contribution pension system. When introducing a company pension in the future, the Company will take appropriate measures in human resources, such as the planned appointment and assignment of personnel with appropriate qualifications for asset management, and disclose the details of such actions. In addition, in such case, the Company shall appropriately manage any conflict of interest which may occur between corporate pension beneficiaries and the Company.

**Principle 3-1: Full Disclosure**

- (1) The Company’s management philosophy, management and quality policy strategies, and medium-term business plan are disclosed on TDnet and its website. (The Management Philosophy, Management and Quality Policy, and Environmental Policy: [https://www.marumae.com/en/com\\_4.html](https://www.marumae.com/en/com_4.html))
- (2) The Company discloses its basic concept and policy regarding corporate governance, as based on each principle of the Corporate Governance Code issued by the Tokyo Stock

Exchange, on TDnet, its website, the Annual Securities Report (IR Library: partially translated English version [https://www.marumae.com/en/ir\\_4.html](https://www.marumae.com/en/ir_4.html) and the Japanese original [https://www.marumae.com/ir\\_4.html](https://www.marumae.com/ir_4.html)), and this report.

- (3) The Company discloses the policies and procedures regarding the determination of remuneration for directors in the “Remuneration of Directors” section of this report.
- (4) The Board of Directors decides personnel matters for senior management, who are general managers or higher, after deliberation under company regulations by the Personnel Committee. The Advisory Committee, led by outside directors, reports on the nominations of candidates for directors based on a comprehensive assessment of whether the candidates can contribute to improving the Company’s business performance and corporate value in the future with consideration given to their abilities, knowledge, experience, and achievements in their areas of expertise. According to the report and opinions of the Audit and Supervisory Committee, the Board of Directors makes the nominations. Regarding the nominations of directors who are Audit and Supervisory Committee members, after receiving the report from the Advisory Committee, and bearing in mind that the Audit and Supervisory Committee has the responsibility of auditing and supervising the execution of duties by the directors as an organization entrusted by the shareholders, the Audit and Supervisory Committee selects as candidates those who have the insight and character needed to fulfill their responsibilities and appoints them by resolution of the Audit and Supervisory Committee.
- (5) The specific reasons for the election of directors are disclosed in the Notice of the Annual General Meeting of Shareholders and in this report.

#### **Supplementary Principle 3-1-3**

The Company is promoting initiatives for sustainability in line with its management strategy, and the details of these initiatives are disclosed as “ESG” on its website. The ESG Committee was established in September 2021 to identify materiality issues, set KPIs, check the status of achievements, review plans, and report the status of these to the Board of Directors in order to deal with the various challenges related to ESG (Environmental, Social, and Governance) in corporate management with a long-term perspective. Considering global environmental issues, the Company has set a goal to use renewable energy for more than 50% of its electricity consumption by 2030 (compared to the fiscal year ended August 31, 2019) and is planning to install solar panels to do so. The aim is to curb carbon dioxide emissions and reduce the burden on the environment by covering part of the electricity needed for its production and reducing the purchase of electricity from outside sources. In addition, GHG emission (Scope 1, 2, 3) as “ESG data” is disclosed on the website. The Company expressed support for the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD) in November 2021 and will gradually enhance the quality and quantity of its climate-related disclosure. The Company plans to conduct a scenario analysis of the impact of climate change-related “risks” and “opportunities” on its business activities, management strategies, and financial plans. It will disclose the results and progress made toward the goals of the analysis.

#### **Supplementary Principle 4-1-1**

The Company’s Board of Directors stipulates the matters that need to be deliberated and reported to the Board of Directors in the “Regulations of the Board of Directors,” as well as the matters and scope of decisions to be made by the management team under the “Regulations of Division of

Duties” and the “Standards for Authorization and Approval” to clarify the responsibilities and authority of each position in the execution of business and to ensure the systematic and efficient operation of business.

**Principle 4-9: Independence Standards and Qualifications for Independent Outside Directors**

As criteria for determining the independence of the Company’s independent outside directors, in addition to satisfying the independence requirements of the Companies Act and the Tokyo Stock Exchange, the Company selects candidates with a high level of insight who can provide advice and supervise the Company’s management.

**Supplementary Principle 4-10-1**

The Company has voluntarily formed an Advisory Committee, chaired by the first independent outside director, with a majority of its members being outside directors. When deciding the appointment and remuneration of directors, which is a typical conflict of interest between management and the company, the Board of Directors makes decisions after consulting with the Advisory Committee and considering its report, with consideration given to diversity and skills, in order to enhance the governance function.

**Supplementary Principle 4-11-1**

In order to enhance the effectiveness of discussions at Board of Directors’ meetings, the Company has appointed four independent outside directors, out of a total of eight directors, with the goal of maintaining and improving management’s transparency and soundness. Directors from within the Company are selected from the executives of each primary function of the Manufacturing & Technology Headquarters, Sales Headquarters, and Administration Headquarters. Independent outside directors are elected from among those with expertise, knowledge, and experience in their respective areas, such as people with corporate management experience, certified public accountants and other accounting experts, and lawyers and other legal experts. Furthermore, after the Company-established Advisory Committee deliberates on the appointment of the directors, the Board of Directors and the Audit and Supervisory Committee decide on the proposed appointment. Regarding gender in the composition of the Board of Directors, a woman with extensive international experience has been elected as an outside director. There is a reference to the skill matrix of the elected directors attached at the end of this report.

**Supplementary Principle 4-11-2**

It is the Company’s policy to disclose the status of all directors who concurrently serve as officers of other listed companies in the Notice of the Annual General Meeting of Shareholders and in the Annual Securities Report. The Company will also disclose the status of concurrent positions held by directors of unlisted companies when deemed necessary.

**Supplementary Principle 4-11-3**

The Company’s Board of Independent Outside Directors conducts questionnaires with each director and analyzes and evaluates the effectiveness of the Board of Directors as a whole while referring to the self-evaluations and other information in the questionnaires. The first independent outside director reports on such analyses and evaluations to the Board of Directors with consideration given to fairness and transparency to strengthen the mutual monitoring and surveillance of the directors.

The Company will disclose in this report a summary of the results of the analysis and evaluation conducted on the effectiveness of the Board of Directors as a whole.

**Supplementary Principle 4-14-2**

The Company’s basic policy is to offer directors the ongoing training opportunities necessary to fulfill their roles and responsibilities. Each director can participate in various training programs and seminars conducted by outside organizations to acquire and update any necessary knowledge and information.

**Principle 5-1: Policy for Constructive Dialogue with Shareholders**

The Company’s President and Representative Director holds individual meetings with major institutional shareholders after disclosing business results for each quarter to promote constructive dialogue with shareholders. The basic policy on information disclosure is disclosed on the Company’s website as the “Disclosure Policy.” The Company also strives to appropriately manage information under internal regulations to prevent insider trading, based on the basic idea of ensuring equality among shareholders in handling undisclosed material facts. (Disclosure Policy: [https://www.marumae.com/en/ir\\_8.html](https://www.marumae.com/en/ir_8.html))

**Principle 5-1-1**

Whenever possible, the President and Representative Director and the General Manager of the Administration Headquarters, who is in charge of investor relations, participate in dialogues (interviews) with shareholders to consider the requests and main concerns of shareholders and investors.

**2. Capital Structure**

Foreign Shareholding Ratio	Less than 10%
----------------------------	---------------

**[Status of Major Shareholders] [Updated]**

Name/Company Name	Number of Shares Owned	Percentage (%)
Toshikazu Maeda	4,819,000	37.64
Misako Maeda	504,000	3.94
The Master Trust Bank of Japan, Ltd. (trust account)	417,700	3.27
Tadao Kawamoto	219,500	1.72
State Street Bank and Trust Company 505019	209,400	1.64
SMBC Nikko Securities Inc.	185,100	1.45
Yoshiko Maeda	180,000	1.41
Custody Bank of Japan, Ltd. (trust account)	172,300	1.35
Koei Igarashi	168,000	1.32
Marumae Kyoaikai	136,400	1.07

Controlling Shareholder (except for Parent Company)	---
---	-----

Parent Company	None
----------------	------

Supplementary Explanation **[Updated]**

The Company holds 250,196 shares of treasury stock separate from the above major shareholders. The shareholding ratio is calculated excluding treasury stock. (The status of major shareholders and the amount of treasury stock are as of August 31, 2021.)

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year End	August
Type of Business	Machinery
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	From 100 to less than 500
Sales (Consolidated) as of the End of the Previous Fiscal Year	Less than ¥10 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Less than 10

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholders

-----

### 5. Other Special Circumstances which May Have Material Impact on Corporate Governance

-----

## II. Business Management Organization and Other Corporate Governance Systems Regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with an Audit and Supervisory Committee
-------------------	---

#### [Directors]

Maximum Number of Directors Stipulated in the Articles of Incorporation	12
Term of Office Stipulated in the Articles of Incorporation	1 year

Chairperson of the Board	President and Representative Director
Number of Directors [Updated]	8
Appointment Status of Outside Directors	Appointed
Number of Outside Directors [Updated]	4
Number of Independent Outside Directors [Updated]	4

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

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Akiko Kadota	Other											
Satoshi Momokino	Lawyer											
Takaaki Yamamoto	Other											
Hirotsugu Miyakawa	CPA											

\* Categories for "Relationship with the Company"

\* "○" the director presently is, or recently was, in the category;

"△" the director had been in the category in the past

\* "●" a close relative of the director presently is, or recently was, in the category;

"▲" a close relative of the director had been in the category in the past

a. Executive 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 compensation as a director/*kansayaku*

g. Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company where the Company's outside directors/*kansayaku* are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

#### Outside Directors' Relationship with the Company (2) [Updated]

Name	Membership in the Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Akiko Kadota		○	-----	Ms. Akiko Kadota has profound insights regarding the promotion of diversity, including the active participation of women in the workforce, in addition to her extensive career

				and profound insights as a manager. The Company expects her to play a role in fair and transparent business operations as a business management expert. She has been designated as an independent director because she satisfies the independence standards stipulated by the Tokyo Stock Exchange, and there is no risk of conflict of interest with general shareholders.
Satoshi Momokino	○	○	-----	Mr. Satoshi Momokino has professional expertise and broad experience as a lawyer. The Company expects him to utilize such knowledge and experience in the auditing, etc. of the Company as an outside director and Audit and Supervisory Committee member. He has been designated as an independent director because he satisfies the independence standards stipulated by the Tokyo Stock Exchange, and there is no risk of conflict of interest with general shareholders.
Takaaki Yamamoto	○	○	-----	Mr. Takaaki Yamamoto has abundant experience and broad insight serving as a manager for many years. The Company expects him to reflect such experience and insights in the auditing, etc. of the Company as an outside director and member of the Audit and Supervisory Committee. He has been designated as an independent director because he satisfies the independence standards stipulated by the Tokyo Stock Exchange, and there is no risk of conflict of interest with general shareholders.
Hirotsugu Miyakawa	○	○	-----	Mr. Hirotsugu Miyakawa has professional expertise and broad experience as a certified public accountant. The Company expects him to utilize such knowledge and experience in the auditing, etc. of the Company as an outside



				director and Audit and Supervisory Committee member. He has been designated as an independent director because he satisfies the independence standards stipulated by the Tokyo Stock Exchange, and there is no risk of conflict of interest with general shareholders.
--	--	--	--	--

### [Audit and Supervisory Committee]

#### Committee's Composition and Chairperson Attributes [Updated]

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Audit and Supervisory Committee	4	1	1	3	Inside Director

Appointment of Directors and/or Staff to Support the Audit and Supervisory Committee	Not Appointed
--	---------------

#### Matters Related to the Independence of Such Directors and/or Staff of Executive Directors

Since Audit and Supervisory Committee members and internal audit staff are always able to cooperate, no staff is appointed to support the Committee in their duties. However, if the Audit and Supervisory Committee requires the appointment of such staff, the Company will appoint such employees as necessary after consultation with the Committee.

#### Cooperation among the Audit and Supervisory Committee, Accounting Auditors, and Internal Audit Departments [Updated]

The internal audit staff appointed by the President and Representative Director makes audit plans and conducts audits regularly. The internal audit staff conducts audits of overall business activities, including the status of operation, the effectiveness and accuracy of business implementation, and the status of compliance, and reports the audit results to the President and Representative Director. Moreover, the internal audit staff gives advice and recommendations for improving the proper operation of business activities in cooperation with Audit and Supervisory Committee members and accounting auditors. The Audit and Supervisory Committee is comprised of four members, including three outside directors, one of whom is a full-time Audit and Supervisory Committee member. The full-time member attends meetings of the Board of Directors and conducts audits in regard to the execution of duties by directors (excluding directors who are Audit and Supervisory Committee members). The Company has a full-time Audit and Supervisory Committee member in order to enhance information gathering, strengthen the auditing and supervisory function, and increase the effectiveness of audits in cooperation with accounting auditors, the division in charge of internal control, and outside directors who are Audit and Supervisory Committee members.

**[Voluntary Establishment of Nomination/Remuneration Committee]**

Voluntary Establishment of Committee(s) Corresponding to the Nomination Committee or the Remuneration Committee	Established
---	-------------

**Committee's Name, Composition, and Chairperson Attributes**

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee Name	Advisory Committee	Advisory Committee
All Committee Members	4	4
Full-time Members	1	1
Inside Directors	1	1
Outside Directors	3	3
Outside Experts	0	0
Other	0	0
Chairperson	Outside Director	Outside Director

**Supplementary Explanation [Updated]**

The Company has voluntarily set up an Advisory Committee, chaired by a first independent outside director, with the majority of the Committee members consisting of independent outside directors. The current outside committee members are Satoshi Momokino (Chair), Takaaki Yamamoto, and Hirotsugu Miyakawa. When deciding the appointment and remuneration of directors, a typical conflict of interest between management and the company, the Board of Directors makes decisions after consulting with the Advisory Committee and considering its report in order to enhance the governance function. Regarding the nomination of candidates for director, the Advisory Committee sets selection criteria such as personality, insight, ability, and qualifications and selects candidates who meet said criteria. The Board of Directors then appoints the candidates. With regard to the nomination of candidates for directors who are Audit and Supervisory Committee members, the Advisory Committee establishes selection criteria such as personality, insight, ability, and qualifications and selects candidates who meet said criteria. The Audit and Supervisory Committee then approves the selection and the Board of Directors nominates the candidates. Concerning the remuneration of candidates for director, the Advisory Committee consults with the Board of Directors on a remuneration proposal determined by referring to the evaluation of the Board of Directors by the independent outside directors, placing emphasis on the performance evaluation for the previous fiscal year, and taking into consideration the market rate. For the fiscal year ended August 31, 2021 (September 1, 2020 to August 31, 2021), the Advisory Committee held deliberations eight times on candidates for director (draft), the amount of remuneration for each director, and the policy for determining directors' remuneration.

Each committee member's attendance was as follows:  
 Satoshi Momokino: 100% (8 of 8 times)  
 Takaaki Yamamoto: 100% (8 of 8 times)

Hirotsugu Miyakawa: 100% (8 of 8 times) Toshikazu Maeda: 100% (8 of 8 times)
---

### [Independent Directors]

Number of Independent Directors [Updated]	4
---	---

#### Matters Relating to Independent Directors

Although the Company does not have any specific criteria or policy about the independence of outside directors, it selects them in reference to the standards for independent directors stipulated by the Tokyo Stock Exchange. The four independent outside directors not only attend Board of Directors' meetings, but also often exchange opinions with the full-time Audit and Supervisory Committee member, the President and Representative Director, and the auditing firm as appropriate. In particular, the Company has set up an independent outside directors' meeting, which is exclusively composed of independent outside directors and held before the regular monthly meeting of the Board of Directors, in order to enable them to communicate with each other and reduce the adverse effects of information asymmetry. As an essential function of the Board of the Independent Outside Directors, the Board analyzes and evaluates the effectiveness of the Board of Directors as a whole, by issuing a questionnaire to each director at the end of each fiscal year and referring to the self-evaluations of the Board of Directors.

The following is a summary of the survey results regarding the effectiveness of the Board of Directors for the fiscal year ended August 31, 2021.

“Overall, the results of this survey indicate that the Board of Directors has a structure with strong checks and balances over executive directors, with outside directors accounting for one-third of the Board of Directors (non-executive directors occupying a majority of the Board of Directors) to ensure a structure that sufficiently fulfills the function of checks and balances over executive directors. Furthermore, the Company has established a voluntary committee with a majority of independent outside directors (hereinafter referred to as the “Advisory Committee”) for the nomination and remuneration of directors, as well as a Board of Independent Outside Directors, which is comprised of all independent outside directors. The establishment of these committees has helped strengthen the supervisory function for business execution.

In the Board of Directors' meetings, active discussions are held in an atmosphere where sharing opinions is made easy. In particular, directors who are Audit and Supervisory Committee members readily request explanations or materials on the appropriateness of executive directors' proposals. In response, executive directors, led by the President and Representative Director, respond based on actual business conditions. Such active discussions in the Board of Directors' meetings contribute to the effective functioning of the Board of Directors. Moreover, the proceedings led by the President make outside directors feel comfortable to participate, such as by giving them opportunities to make comments not limited to matters on the agenda of the Board of Directors' meetings. As a prerequisite for effective management supervision by outside directors (non-executive directors), it is necessary for the Board of Directors, including outside directors (non-executive directors), to effectively discuss and share the same understanding of the direction of management strategies, etc. As mentioned above, the direction of the overall corporate strategy

has been discussed more than it was last year, and it can be said that the supervisory function of the Board of Directors has improved.

As a result, it can be believed that the Board of Directors functions adequately, especially in the function of checking and controlling the executive directors, and the effectiveness of the Board is guaranteed to a considerable extent.”

### [Incentives]

Incentive Policies for Directors	Performance-linked Remuneration
----------------------------------	---------------------------------

Supplementary Explanation [\[Updated\]](#)

Please refer to II-1 [Director Remuneration] Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods in this report.

Recipients of Stock Options	
-----------------------------	--

Supplementary Explanation

-----

### [Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
--	--------------------------

Supplementary Explanation [\[Updated\]](#)

The Company discloses total remuneration for directors (excluding Audit and Supervisory Committee members) and directors who are Audit and Supervisory Committee members. The amount of remuneration for the previous fiscal year (from September 1, 2020 to August 31, 2021) was 87 million yen to four directors (excluding Audit and Supervisory Committee members) and 26 million yen to five directors who are Audit and Supervisory Committee members (including 12 million yen for three outside directors).

The maximum amount of the directors' remuneration is 150 million yen per year (as resolved at the 31st Annual General Shareholders' Meeting held on November 28, 2018). Aside from this remuneration, the maximum amount of remuneration for directors (excluding directors who are Audit and Supervisory Committee members and outside directors) under the Stock Compensation Plan with Transfer Restrictions is 40 million yen per year (as resolved at the 33rd Annual General Shareholders' Meeting held on November 27, 2020). The maximum amount of remuneration for directors who are Audit and Supervisory Committee members is 30 million yen per year (as resolved at the 28th Annual General Shareholders' Meeting held on November 28, 2015).

Policy on Determining Remuneration Amounts and Calculation Methods <a href="#">[Updated]</a>	Established
--	-------------

## Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The Company, at the Board of Directors meeting held on February 20, 2021, resolved the policy for determining the individual remuneration for directors (excluding directors who are Audit and Supervisory Committee members; hereinafter referred to as “directors”). The following is a summary of the policy. When the Board of Directors makes a resolution, the Board consults with the Advisory Committee on the resolution’s content in advance and receives a report from the Advisory Committee.

### 1. Basic Policy

As basic Company policy, the remuneration of the Company’s directors is linked to shareholders’ profit in order to function as an incentive for the sustainable improvement of corporate value, and the Company sets an appropriate level of remuneration for each director based on the responsibilities of each position. In particular, the remuneration for executive directors consists of a basic, fixed remuneration, performance-linked compensation, and stock-based compensation, while only basic compensation is paid, in consideration of their duties, to directors who are Audit and Supervisory Committee members and outside directors who are not Audit and Supervisory Committee members.

### 2. Policies on the Determination of Basic Remuneration, Performance-linked Remuneration, and Non-monetary Remuneration (including policies regarding the determination of the timing or conditions for granting remuneration, etc.)

#### (a) Policy on Basic Remuneration

Basic remuneration for the Company’s directors is a fixed monthly payment determined according to their position, responsibilities, and years of service and is set in a comprehensive manner in consideration of remuneration amounts found at other companies, the Company’s business performance, employee salaries, and other factors.

#### (b) Policy on Performance-linked Remuneration

Performance-linked remuneration consists of a “fixed part” and a “variable part” linked to the Company’s performance. For the “variable part,” (1) the bonus per employee, (2) the ratio of ordinary income to total assets, and (3) the ratio of ordinary income to net assets are converted at a predetermined ratio, and the calculation results are reflected in the monthly compensation. These indicators are used with the goal of (1) increasing productivity per person while improving employee satisfaction, (2) increasing return on assets (ROA), and (3) improving return on equity (ROE). There is no individual target value in each goal. Instead of setting individual targets for each item, the degree of achievement is calculated by summing up the evaluations of the three items. The details are reviewed based on the Advisory Committee’s report as appropriate in response to changes in the environment.

#### (c) Policy on Non-monetary Remuneration

Non-monetary remuneration is restricted stocks, which are paid to directors (excluding outside directors and directors who are Audit and Supervisory Committee members; hereinafter referred to as “Subject Directors”). In order to allocate restricted stocks to

the Subject Directors, with each fiscal year of the Company being the evaluation period, the amount obtained by multiplying the amount determined based on the position of the Subject Director (hereinafter referred to as the “Basic Amount by Position”) by the performance payment rate is granted as a monetary remuneration claim. The Company issues or disposes of the Company’s common shares to the Subject Directors and has them hold such shares by having them contribute all of such monetary remuneration claims to the Company as contributed assets. The total monetary remuneration claims granted to the Subject Directors shall not exceed 40 million yen per year. The total number of common shares to be issued or disposed of by the Company shall not exceed 60,000 shares per year. The Board of Directors determines the specific timing and allocation of the payment to the Subject Directors after receiving a report from the Advisory Committee.

[Calculation Method for the Number of Shares to be Granted]

The number of shares to be granted = the basic amount by position (\*1) × the performance payment rate (\*2) ÷ the amount to be paid per share

(\*1) To be determined by the Board of Directors in accordance with the position of the Subject Directors

(\*2) Variable from 0% to 200% depending on the actual consolidated operating income ratio during the evaluation period

3. Policy on Determining the Ratio of the Amount of Monetary Remuneration, Performance-linked Remuneration, or Non-monetary Remuneration to the Amount of Individual Remuneration for Each Director

The Advisory Committee reviews the ratio of remuneration for each type of executive director based on the benchmark remuneration levels of companies of similar business scale and in related industries and business categories as the Company, with the weight of performance-linked remuneration increasing for higher positions. The Board of Directors respects the Advisory Committee report and decides the individual remuneration of directors within the percentage range of remuneration types indicated in said report.

The approximate ratio of each type of remuneration is as follows: (if the Company achieves a consolidated operating profit ratio of 20%)

President and Representative Director: [Basic remuneration] 40% [Performance-linked remuneration] 40% [Non-monetary remuneration] 20%

Directors: [Basic remuneration] 50% [Performance-linked remuneration] 30% [Non-monetary remuneration] 20%

4. Matters Concerning the Determination of Directors’ Individual Remuneration

Regarding the amount of a director’s individual remuneration, the Advisory Committee receives an explanation from the President and Representative Director on the status of business performance and the degree of target achievement. The Committee also hears the President’s remuneration proposal, discusses it, makes any necessary adjustments to the content, and reports the results to the Board of Directors, which then passes a resolution. Furthermore, for stock-based compensation, the Board of

Directors determines the number of shares allocated to each director based on the report from the Advisory Committee.

### **[Support System for Outside Directors]**

The General Affairs Section of the Administration Headquarters oversees the support of the Company's outside directors, which allows them to exchange information as needed. They use IT and other means to share a wide range of information, which includes items such as minutes of important internal meetings as well as external complaints. To facilitate communication among directors, the Company also has introduced teleconference and internet conference systems and flexibly holds extraordinary meetings of the Board of Directors.

## **2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System) [Updated]**

(Board of Directors)

The Board of Directors is comprised of eight directors, including four directors who are Audit and Supervisory Committee members, and four of whom are outside directors. The Company holds regular monthly meetings of the Board of Directors and strives to further enhance the corporate governance system by including directors who are Audit and Supervisory Committee members with voting rights. The Company's decision-making mechanism is based on the President and Representative Director or a director drafting and deliberating proposals at Board of Directors' meetings, and then making decisions by resolution of the Board of Directors. In addition to regular monthly meetings of the Board of Directors, the Company holds extraordinary Board of Directors' meetings as necessary to ensure prompt, accurate, and rational decision-making and to review the appropriateness, efficiency, and fairness of management through active question-and-answer sessions. The Board of Directors passes resolutions and executes business operations on matters stipulated by laws and regulations and in the Articles of Incorporation as well as things related to essential business operations.

The Board of Directors held 20 meetings in the fiscal year ended August 31, 2021 (September 1, 2020 to August 31, 2021). The attendance of each member of the Board of Directors was as follows:

Toshikazu Maeda: 100% (20 of 20 times)

Kota Kaizaki: 100% (20 of 20 times)

Hiroto Ando: 100% (20 of 20 times)

Akiko Kadota: 93% (13 of 14 times)

Yoshitsugu Kojima: 90% (18 of 20 times)

Keiji Hokanishi: 100% (14 of 14 times)

Satoshi Momokino: 100% (20 of 20 times)

Takaaki Yamamoto: 100% (20 of 20 times)

Hirotsugu Miyakawa: 100% (20 of 20 times)

For Ms. Akiko Kadota and Mr. Keiji Hokanishi, their attendance record is listed for meetings of the Board of Directors held after their appointment on November 27, 2020. In addition, Mr. Yoshitsugu Kojima retired from his position at the conclusion of the 34th Annual General Meeting of Shareholders held on November 26, 2021, due to the expiration of his term of office.

(Audit and Supervisory Committee)

The Audit and Supervisory Committee consists of four directors who are Audit and Supervisory Committee members, three of whom are outside directors. Meetings of the Committee are held monthly in principle and occasionally as necessary. The Committee exchanges information with internal audit staff and accounting auditors as needed to enhance the effectiveness and efficiency of audits. The Audit and Supervisory Committee held 14 meetings in the fiscal year ended August 31, 2021 (September 1, 2020 to August 31, 2021). The attendance of each member of the Audit and Supervisory Committee was as follows:

Yoshitsugu Kojima: 86% (12 of 14 times)

Keiji Hokanishi: 100% (10 of 10 times)

Satoshi Momokino: 100% (14 of 14 times)

Takaaki Yamamoto: 100% (14 of 14 times)

Hirotsugu Miyakawa: 100% (14 of 14 times)

For Mr. Keiji Hokanishi, his attendance record is listed for meetings of the Audit and Supervisory Committee held after his appointment on November 27, 2020. In addition, Mr. Yoshitsugu Kojima retired from his position at the conclusion of the 34th Annual General Meeting of Shareholders held on November 26, 2021, due to the expiration of his term of office.

(Advisory Committee)

The Advisory Committee is composed of the President and Representative Director and three independent outside directors who are Audit and Supervisory Committee members. The Committee is held as necessary. As an advisory body to the Board of Directors, it submits reports from an independent and objective standpoint on the appropriateness of decision-making policies and levels regarding the nomination and remuneration of directors.

Chairperson: Satoshi Momokino, Outside Director

Members: Toshikazu Maeda, Takaaki Yamamoto, Hirotsugu Miyakawa

(Management Meeting)

The management meeting consists of the 29 members who are at the deputy manager position or above. It is held monthly in principle to share perceptions and exchange opinions on business strategy and business operation. Among the matters deliberated and resolved at the Board of Directors, those that are particularly necessary are also discussed at this meeting to enhance the deliberations at the Board of Directors. Directors who are Audit and Supervisory Committee members also attend various critical internal meetings, including this management meeting, and express their opinions.

Chairperson: Toshikazu Maeda, President and Representative Director

Members: Kota Kaizaki, Hiroto Ando, Akiko Kadota, Keiji Hokanishi, Satoshi Momokino, Takaaki Yamamoto, Hirotsugu Miyakawa, Takeshi Shimomai, Hideyuki Takaku, Yoshihiro Kosai, Muneo Ui, Seiji Takeda, Koei Igarashi, Satoshi Nomura, Norihiko Kikuchi, Hidenori Okinaka, Ryuichi Nozaki, Daisuke Harada, Takumi Miyahara, Masanobu Kuratsu, Takehiko Kawakami, Masahiro Saito, Hirofumi Tsurii, Yuta Motoyama, Ryota Motoyama, Masaki Yagi, Yuta Kawabata, Katsuyuki Ichinoshime



In this way, the Company has adopted the current management system believing it to be the most appropriate considering that it enables the Company to make management decisions and judgments quickly while maintaining sufficient supervisory functions.

### 3. Reasons for Adoption of Current Corporate Governance System

At the 28th Annual General Shareholders' Meeting of the Company held on November 28, 2015, a resolution was passed to amend the Articles of Incorporation of the Company to transition from a company with a Board of Corporate Auditors to a company with an Audit and Supervisory Committee as of the same date.

The Company made this transition to further strengthen the supervisory function of the Board of Directors and to further enhance the corporate governance system by appointing directors (including multiple outside directors) who are members of the Audit and Supervisory Committee and who have the right to make resolutions at meetings of the Board of Directors, in accordance with the "Act for Partial Amendment of the Companies Act" (Act No. 90 of 2014), which came into effect on May 1, 2015, and established the "Company with Audit and Supervisory Committee System" as the new organizational design.

## III. Implementation of Measures for Shareholders and Other Stakeholders

### 1. Measures to Revitalize the General Shareholders' Meetings and Facilitate the Exercise of Voting Rights **[Updated]**

	Supplementary Explanations
Allowing the Exercise of Voting Rights Electronically	The Company has introduced the ability to exercise voting rights via the Internet by enabling the exercise of voting rights via personal computers and smartphones.
Use of Electronic Voting Platform and Other Efforts to Improve the Environment for Exercising Voting Rights for Institutional Investors	The Company uses the platform for the electronic exercise of voting rights for institutional investors operated by ICJ, Inc.
Providing Convocation Notice in English	The Company has begun disclosing convocation notices (summaries) written in English on the Tokyo Stock Exchange and the Company's website starting with the 34th Annual General Shareholders' Meeting held in November 2021.
Other	The Company has been disclosing the results of the exercise of voting rights in an extraordinary report since the fiscal year ended August 31, 2011.

## 2. IR Activities

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	The Company discloses its "Disclosure Policy" on its website.
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds quarterly results briefings twice a year. *The President and Representative Director gives a presentation at these briefings.
Website Posting of IR Materials	The Company posts past disclosure materials in its website's "IR Information" section.
Establishment of Department and/or Manager in Charge of IR	Administration Headquarters
Other	The Company responds to inquiries from investors in a proactive, continuous, fair, and timely manner.

## 3. Measures to Ensure Due Respect for Stakeholders [Updated]

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Company has established a basic policy on the Electronic Industry Citizenship Coalition (EICC) to ensure that the working environment is safe, that employees are treated with respect and dignity, and that operations are conducted in an environmentally responsible and ethical way.
Implementation of Environmental Activities, CSR Activities, etc.	The Company has acquired an ISO14001 certificate.

## IV. Matters Related to the Internal Control System

### 1. Basic Views on the Internal Control System and the Progress of System Development

The status of the Company's internal control system is as follows:

- ① Systems to ensure that the execution of duties by directors and employees complies with laws and regulations and the Articles of Incorporation:

The Company recognizes that thorough compliance is essential for the Company's continued existence. It will strive to establish a management system widely trusted by society by ensuring that all executives and employees act fairly and with high ethical standards.

(a) The Board of Directors shall make decisions after thorough deliberation on matters stipulated by laws and regulations, the Articles of Incorporation, and essential management matters while requesting reports from directors on the status of execution of their duties to ascertain the progress of management policies and manage and supervise the appropriateness of the implementation of responsibilities.

(b) Directors who are Audit and Supervisory Committee members shall attend Board

of Directors' meetings and other important meetings to understand the process of critical decision-making and the status of execution of duties, and they shall express their opinions and report on the status of implementation of duties by directors and employees, provide advice and recommendations as necessary, and take appropriate measures when necessary.

(c) Management meetings shall be held regularly to conduct multifaceted reviews of critical decision-making and business execution progress by directors and executive officers and to monitor one another.

(d) The internal audit staff shall conduct regular audits as well as voluntary audits as necessary to ascertain the status of the daily execution of duties and to make improvements.

(e) The Company shall work closely with external experts such as lawyers and auditing firms to maintain a compliance system.

- ② System for the storage and management of information related to the execution of duties by directors:

Regarding information related to the execution of duties by directors, the Company shall establish management standards and a management system, prepare, and store such data in compliance with laws and regulations, the "Approval Rules," the "Document Management Rules," and the "Information System Management Rules." It shall also maintain such information in a state where it can be inspected and copied by directors, directors who are Audit and Supervisory Committee members, and others as necessary.

- ③ Rules and other systems for managing the risk of loss:

The Company regards risk management as one of the most critical management issues. It shall take systematic measures to minimize the risk of loss by preparing appropriate countermeasures in advance for various dangers according to the size of the risk and the likelihood of its occurrence, based on full recognition of the Company's inherent risks.

(a) Administration Headquarters shall monitor and handle company-wide risks.

(b) The general manager of each division shall be responsible for the risks associated with the operation for which they are in charge and shall prepare and ensure compliance with manuals and provide necessary education.

(c) Directors and the general managers of each department shall strive to identify major risks in their individual duties. If any are discovered, the Board of Directors shall deliberate from various perspectives, determine appropriate countermeasures, and implement them.

(d) The internal audit staff shall also conduct audits of the status of risk management.

(e) If a new risk management problem occurs or is predicted to occur, it shall be reported to the Board of Directors, where countermeasures will be discussed and corrective actions taken.

(f) In the event of unforeseen circumstances, under the direction of the President and Representative Director, the Company shall take prompt actions using outside experts, including lawyers and other professionals, and establish a system to prevent the spread of damage and minimize its impact.

- ④ System to ensure that directors execute their duties efficiently:  
By establishing rules and regulations, the Company shall clearly and appropriately define the scope of the directors' authority and responsibility and the duties for which they are responsible, thereby ensuring a system in which directors can efficiently execute their duties.
- (a) The Board of Directors shall determine the medium-term business plan and the proposed budget for each fiscal year. Each department shall formulate and implement specific measures to achieve these goals.
- (b) In accordance with the "Regulations of the Board of Directors," the "Organizational Regulations," the "Regulations for Division of Duties," and the "Standards for Authorization and Decision-Making," the matters to be delegated to directors shall be determined. The authority to make decisions and execute duties within that scope shall be delegated. Directors shall report their progress in executing their duties and other matters at the Board of Directors and management meetings.
- (c) In order to ensure the efficient execution of duties by directors, the Company shall review and make necessary improvements to internal regulations concerning organization, job classification, division of duties, and decision-making authority as required.
- (d) Regarding the Administration Headquarters under the control of the President and Representative Director, the Company has secured a system whereby the President and Representative Director executes critical business operations after discussions at meetings attended by executive directors and head office department heads.
- ⑤ System to ensure the appropriateness of business operations in the corporate group:  
At present, there are no subsidiaries or affiliates. However, if establishing a group company in the future, the Company will set subsidiary management rules and regulations, conduct management in a way equivalent to that of the Company, develop and manage regulations and compliance standards, and periodically report and discuss business activities. In addition, accounting standards shall, in principle, follow the Company's accounting standards unless there are specific reasons.  
If founding subsidiaries in the future, the Company shall also establish a system for the business executors of subsidiaries to report to the Company, a system for managing the risk of loss to subsidiaries, a system for ensuring the efficiency of the subsidiaries' business execution, and a system for ensuring that the subsidiaries' business execution complies with laws, regulations, and the Articles of Incorporation by developing subsidiary management regulations.
- ⑥ Matters related to employees requested by directors who are Audit and Supervisory Committee members to assist them in their duties:  
The Company does not have employees to assist the duties of directors who are members of the Audit and Supervisory Committee because the system allows the directors who are members of the Audit and Supervisory Committee and the internal audit staff to always work together. However, if a request is made by a director who is an Audit and Supervisory Committee member to appoint such an employee, the employee shall be appointed as necessary after consultation with the director who is an Audit and Supervisory Committee member.

- ⑦ Matters concerning the independence of the employees set forth in the preceding paragraph from directors:  
In the event that employees are established to assist with the duties of directors who are members of the Audit and Supervisory Committee, their directions, orders, etc. shall be under the control of the directors who are members of the Audit and Supervisory Committee, and the handling of their personnel affairs shall be conducted in consultation with the directors who are members of the Audit and Supervisory Committee.
- ⑧ Matters related to ensuring the effectiveness of instructions given to the employees set forth in the preceding paragraph by directors who are members of the Audit and Supervisory Committee:  
In the event that the employee set forth in the preceding paragraph concurrently serves as an employee of another department, priority shall be given to the duties related to the director who is a member of the Audit and Supervisory Committee. In addition, the supervisors and directors of other departments in which the employee concurrently serves shall provide the necessary support when requested to perform such duties.
- ⑨ System for directors and employees to report to directors who are Audit and Supervisory Committee members:  
The Company shall establish a system to strictly monitor the execution of business by directors by having the directors who are members of the Audit and Supervisory Committee attend meetings of the Board of Directors and other important meetings. It shall also establish a system to make important reports to the directors who are members of the Audit and Supervisory Committee. In addition, if any fact that may cause significant damage to the Company is discovered, it shall be promptly reported to the directors who are members of the Audit and Supervisory Committee.
- ⑩ System to ensure that the person who made the report set forth in the preceding paragraph is not subjected to any disadvantageous treatment on the grounds that he or she made the report:  
No disadvantageous treatment shall be given to the person who made the report to the director who is a member of the Audit and Supervisory Committee because the report was made as described in the preceding paragraph. In addition, in the course of the Company's personnel evaluation, the director who is a member of the Audit and Supervisory Committee may express his or her opinion on the evaluation of the employee who has performed the duties or made the report set forth in Paragraphs 6 through 9.
- ⑪ Matters concerning procedures for prepayment or reimbursement of expenses incurred in the execution of duties by directors who are Audit and Supervisory Committee members and other policies concerning the treatment of expenses and debts incurred in the execution of such duties:  
Expenses incurred in connection with the execution of duties by directors who are Audit and Supervisory Committee members shall be borne by the Company in accordance with prescribed procedures within the scope of the Company's expense budget.
- ⑫ Other systems to ensure that audits by directors who are members of the Audit and Supervisory Committee are conducted effectively:

The “Auditing Standards of the Audit and Supervisory Committee” stipulates that the directors who are members of the Audit and Supervisory Committee and the internal audit staff must endeavor to maintain close cooperation and ensure that audits are conducted effectively. In addition, the directors and the directors who are members of the Audit and Supervisory Committee shall actively exchange opinions and maintain appropriate communication.

## **2. Basic Views on Eliminating Antisocial Forces and Measures Related Thereto**

### **- Basic Approach to Eliminating Antisocial Forces**

The Company’s policy is to eliminate any relationship with antisocial forces and groups that threaten social order and safety and to respond firmly to unreasonable demands.

### **- Status of Measures to Eliminate Antisocial Forces**

Based on the policy above, the Company has prepared and thoroughly communicated manuals and procedures to eliminate antisocial forces under the “Regulations Concerning Antisocial Forces.” It provides education and training to directors and employees as appropriate. These manuals and procedures clearly state the separation from antisocial forces, prohibit the provision of benefits to antisocial forces, and thoroughly reject any relationship with antisocial forces.

As an internal system, the Company has set up a department to deal with unreasonable demands from antisocial forces and to take systematic action, as well as to request consultation and support from the Kagoshima Prefectural Police, lawyers, and outside consulting companies.

In addition, the head office is a member of the “Council for the Defense of Corporations under the Jurisdiction of the Izumi Police Station” and strives to collect information on the activities of antisocial forces and countermeasures through mutual understanding and cooperation among local corporations, the police, and the Kagoshima Center for the Elimination of Violence.

## V. Other

### 1. Adoption of Anti-takeover Measures

Adoption of Anti-takeover Measures	Not Adopted
------------------------------------	-------------

Supplementary Explanation

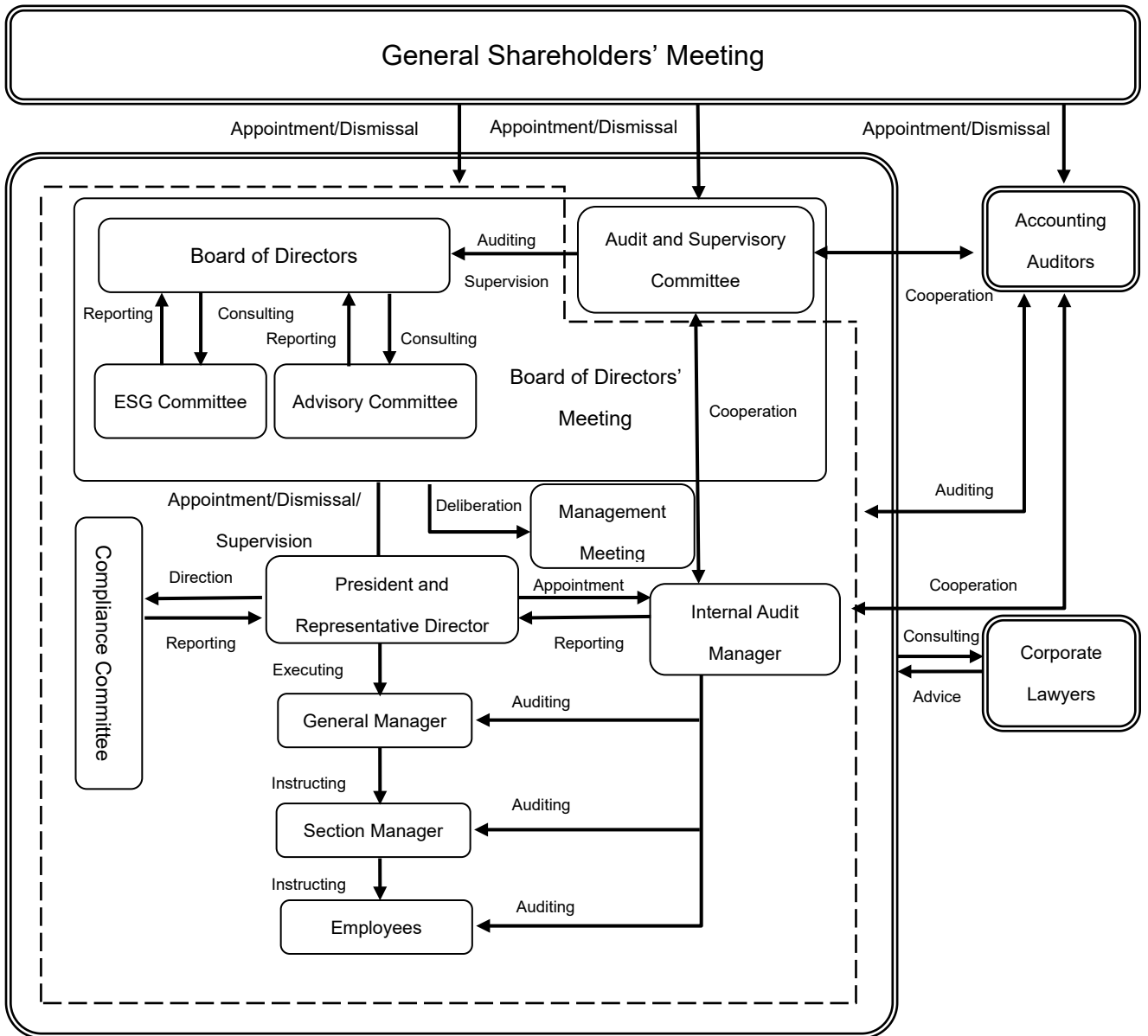
-----

### 2. Other Matters Concerning the Corporate Governance System

The Company will actively work to further improve the corporate governance of the Company by further developing the internal control system and increasing the transparency of our management.

1. Outline of Corporate Governance System:  
A schematic diagram of the corporate governance system is shown in Attachment 1.
2. Overview of Timely Disclosure System:  
The outline of the Company's timely disclosure system is shown in Attachment 2.

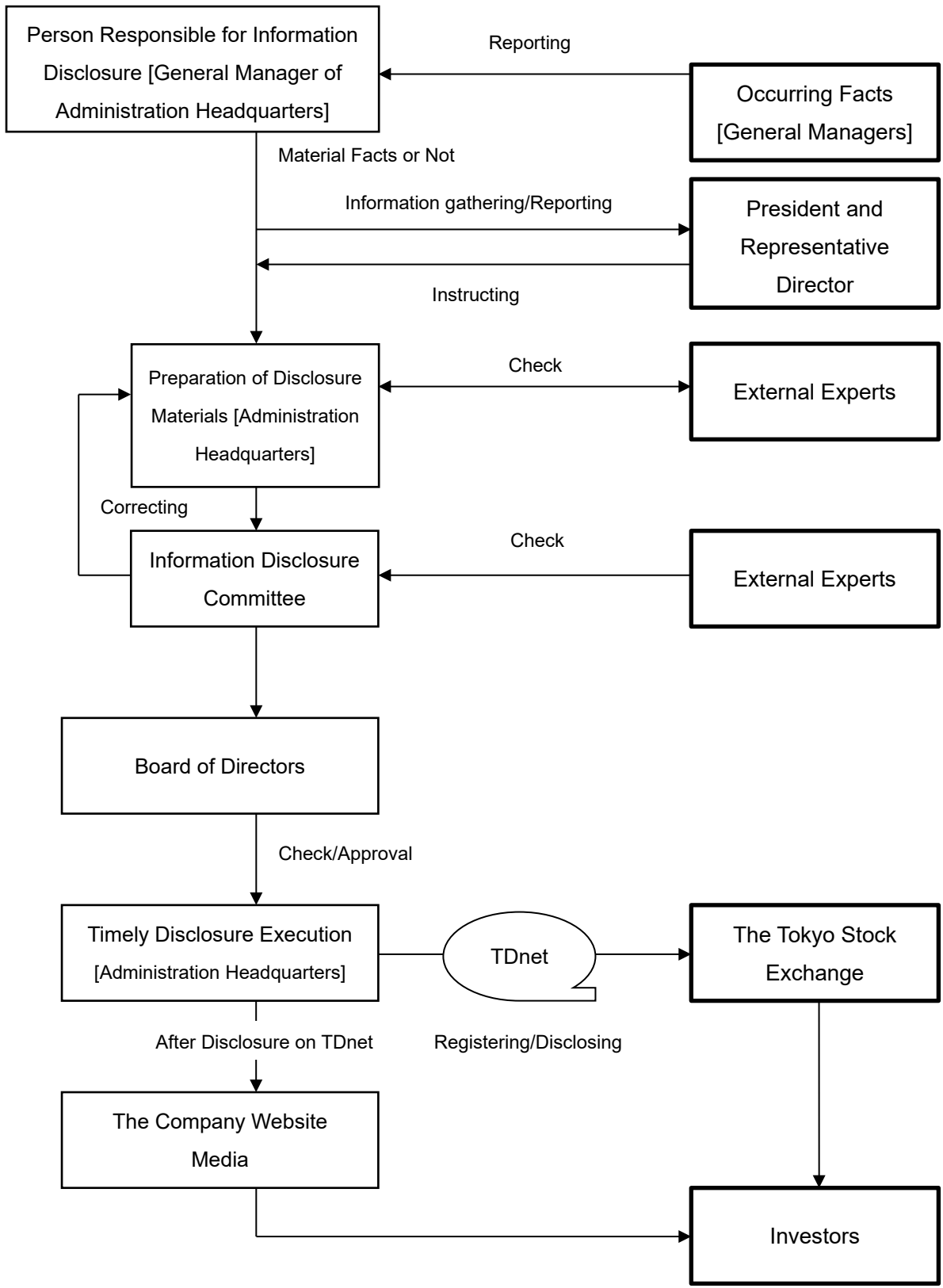
Attachment 1. Marumae's Corporate Governance System Schematic Diagram



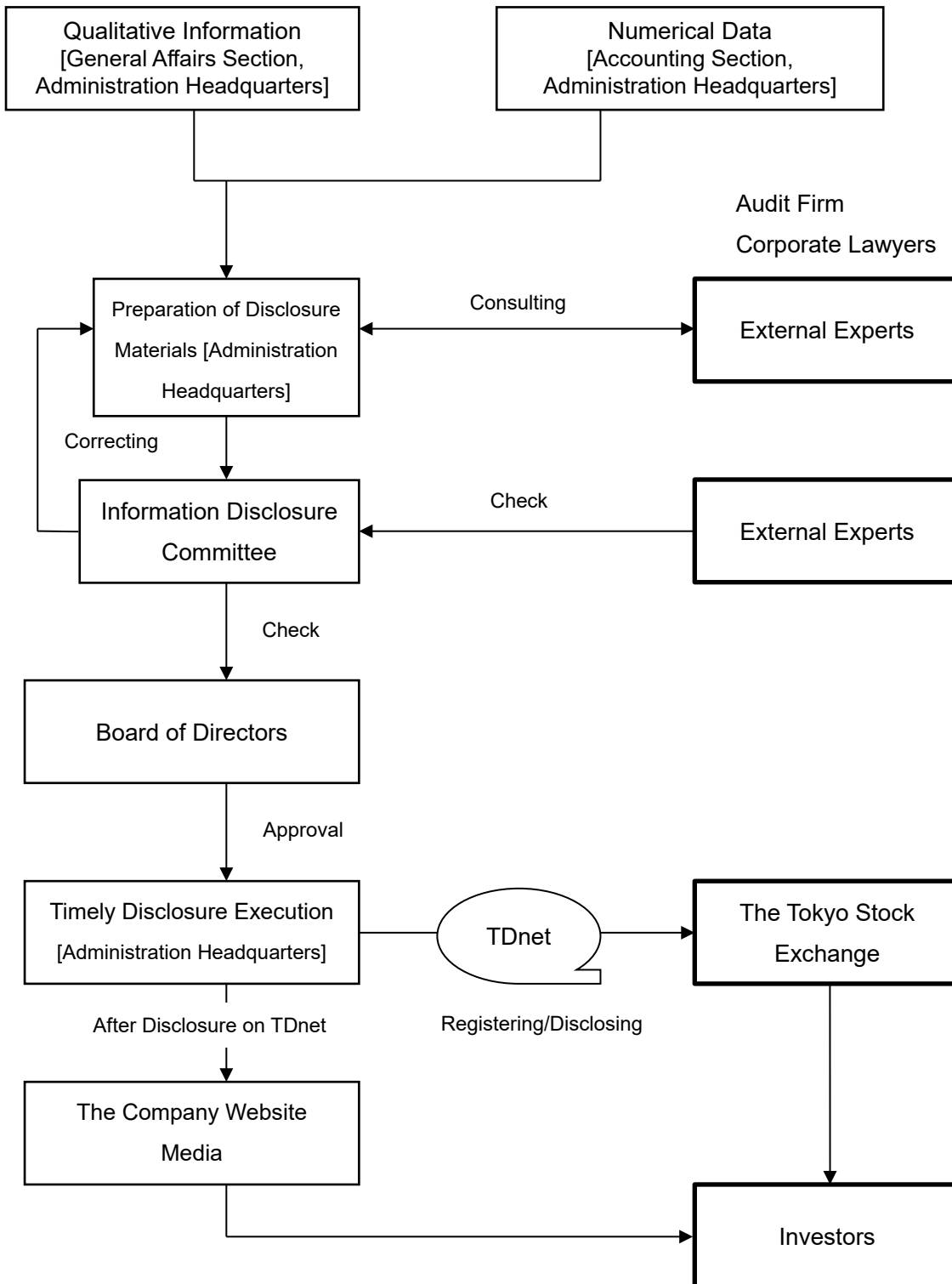


Attachment 2. Overview of Timely Disclosure System

① Internal System Regarding Facts of Decisions and Occurrences



② Internal System for Financial Information and Performance



[Supplementary Principle 4-11-1] Skill Matrix of the Board of Directors

No.	Name	Attributes			Knowledge and Experience that the Company Expects					
		Audit and Supervisory Committee	Advisory Committee	Independent (Outside)	Corporate Management/ Business Strategy	Development /Technology/ Quality	Planning/ Sales	Finance/ Accounting	Risk Management/ Legal Affairs	Global Experience
1	Toshikazu Maeda		•		•	•		•	•	
2	Kota Kaizaki				•		•			
3	Hiroto Ando				•	•				
4	Akiko Kadota			•	•					•
5	Keiji Hokanishi	•						•		
6	Satoshi Momokino	•	•	•					•	•
7	Takaaki Yamamoto	•	•	•	•				•	
8	Hirotsugu Miyakawa	•	•	•				•		