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## Corporate Governance

CORPORATE GOVERNANCE

FUJITEC CO., LTD.

Last Updated: December 22, 2021

FUJITEC CO., LTD.

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This document provides an overview of Fujitec Co., Ltd. corporate governance.

### I. Corporate Governance Philosophy, Capital Structure, Corporate Attributes, Other Basic Information

#### 1. Basic Concepts

Our Management Philosophy reads, “Respecting people, technologies and products, we collaborate with people from nations around the world to develop beautiful and functional cities that meet the needs of a new age.” We understand that it is essential we maintain relationships of trust with our stakeholders to carry out this mission. To secure positive appraisals of the Fujitec Group, meet the expectations of our stakeholders, and strengthen relationships of trust, we strive to build and maintain a corporate governance structure that ensures sound and transparent group management.

#### **【Reasons for not implementing the principles in the Corporate Governance Code】** Updated

The Company has implemented all principles described in the June 2021 revision of the Corporate Governance Code.

#### **【Disclosure based on corresponding principles in the Corporate Governance Code】** Updated

1. The Company has formulated a basic policy on corporate governance based on the principles of the Corporate Governance Code. We published this basic policy on our corporate website(\*1). Refer to Basic Policy for matters requiring disclosure based on the following principles (\*2).

\*1 Notice Concerning Amendment to Corporate Governance Guidelines

[https://www.fujitec.com/common/fjhp/doc/top\\_global/document/irnews/2571/211222\\_cgg6406E.pdf](https://www.fujitec.com/common/fjhp/doc/top_global/document/irnews/2571/211222_cgg6406E.pdf)

\*2 [Principle 1-7], [Principle 2-6], and [Principle 3-1](iii), (iv), and (v), and [Supplemental Principle 4-1-1], [Supplemental Principle 4-11-1], and [Supplemental Principle 4-14-2].

2. The matters requiring disclosure based on each principle are as follows.

##### **【Principle 1-4】**

(1) When the Board of Directors reasonably determines that the acquisition and holding of shares issued by business partners, etc. will maintain and strengthen business relationships with such business partners, etc. and contribute to the sustainable growth and improvement of the mid-to long-term corporate value of the Company, the Company shall acquire and hold such shares.

(2) With respect to the shares held by the Company in accordance with the provision set forth in paragraph 1 hereof (the “Cross-Shareholdings”), the Board of Directors shall review and determine whether the Company continues to hold or reduces by disposition all or part of the Cross-Shareholdings through detailed examination of the advantages, risks, balance with capital costs, etc. associated with the holding of the Cross-Shareholdings, which is periodically conducted every year.

(3) The Company shall review and determine whether or not it exercises its voting rights as to the Cross-Shareholdings by taking into account the compliance with the provision set forth in paragraph 1 hereof and the contribution to the soundness in the management, sustainable growth and improvement of the corporate value of a company issuing shares, as well as considering and reviewing the contribution to the improvement of the corporate value and the mid-to long-term interests of the Company.

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

(1) Approach and voluntary and measurable goals for ensuring diversity in the appointment of women, non-Japanese nationals, and mid-career hires to management positions

While the Company has traditionally hired field engineers and other personnel regardless of gender or nationality, we pursue the further hiring of women, non-Japanese nationals, and career hires (mid-career hires) to accelerate global business development by leveraging the diversity of our human resources as a source of organizational strength. We promote career hires to management positions based on a comprehensive evaluation of experience, skills, and achievements. As of March 2021, the ratio of career hires to management positions was 17%, and we continue to promote career hires to increase this ratio. At the same time, the ratio of female and non-Japanese national employees in management positions was 1% as of March 2021. Additionally, there were no non-Japanese national employees in management positions. For the time being, we intend to strengthen human resources development and our internal environment with the goal of achieving a greater ratio and number of persons in said positions compared with the previous year.

(2) Human resources development, internal environment improvement policies and implementation status related to ensuring diversity

##### ① Human resources development and internal environment improvement policy

• We strive to create an environment that accelerates the development of value systems that foster open-mindedness and energetic action, as well as attitudes that value diversity, encouraging employees to reach new levels of growth so as to serve as the foundation for new stages of Fujitec global growth.

##### ② Implementation status

• We engage in ongoing global business leader development programs and various practical training programs for field engineers, as we have done in the past. We also intend to develop globally oriented management personnel and highly expert engineers by assigning increasing levels of responsibility.

• We offer various work systems, including flexible work hours (no core hours), paid leave on an hourly basis, childcare and nursing care leave, and shortened working hours. In addition, we endeavor to create environments that facilitate flexible work styles. These efforts include expanding the

availability of remote work through the development of IT environments and allowing employees to report to and return home from work sites directly. In this way, we encourage active communications not restricted by location or time, which we believe will lead to even stronger organizational capabilities.

- We increase opportunities for cross-border exchange, including the Global Field Engineering Skill Competition, which brings together employees from more than 10 countries. At the same time, we will continue to recruit, train, and promote non-Japanese national engineers in our Japanese organization.
- Given that roughly one-third of new hires are career hires, we will continue to increase the hiring of employees with diverse experience.

#### 【Principle 3-1】

(i) The Company has established and published our Management Philosophy. We have also formulated and published a medium-term management plan. Refer to the following URL for details.

(Management Philosophy) <https://www.fujitec.com/corporate>

(Medium-Term Management Plan) [https://www.fujitec.com/ir/business\\_policy/plan](https://www.fujitec.com/ir/business_policy/plan)

(ii) Refer to *I. 1. Basic Concepts* in this report for more on our basic approach to group corporate governance.

(v) The following describes reasons for appointment as candidates for directors proposed for election at the 74th Ordinary General Meeting of Shareholders. Refer to *II. 1. Matters Related to Institutional Structure and Organizational Operations* in this report for information on outside directors and outside members of the Audit and Supervisory Board.

(Directors)

Takakazu Uchiyama

As Mr. Takakazu Uchiyama has deep insight stemming from his experience in the control of Japan and overseas businesses in addition to the management of subsidiaries of the Company such as those in the Americas etc., the Company has judged that going forward he will continue to contribute to the global group business management of the Company.

Takao Okada

As Mr. Takao Okada has deep insight stemming from his experience in the control of Japan and overseas businesses in addition to the management of subsidiaries of the Company in East Asia, the Company has judged that going forward he will continue to contribute to the global group business management of the Company.

Takashi Asano

As Mr. Takashi Asano has deep insight stemming from his experience in the control of the Company's product development in Japan and abroad in addition to the management of subsidiaries of the Company in Americas and East Asia, the Company has judged that going forward he will continue to contribute to the global group business management of the Company.

Masashi Tsuchihata

As Mr. Masashi Tsuchihata has deep insight stemming from his experience in the control of Manufacturing Base in Japan and overseas businesses including the management of subsidiaries of the Company in Americas and South Asia, the Company has judged that going forward he will continue to contribute to the global group business management of the Company.

#### 【Supplementary Principle 3-1-3】

We engage with ESG and the SDGs as important issues. Our new medium-term management plan, which begins with fiscal 2022, describes the relationship between important sustainability issues based on our Management Philosophy (materialities), the new medium-term management plan, the value creation process, and our ESG policy. We invest in human capital and intellectual property from a long-term perspective, identifying specific matters to address as materialities.

We proactively disclose relevant information on a proactive basis.

Refer to the following URL for details of the new medium-term management plan and specific initiatives related to sustainability.

(New Mid-Term Management Plan)

[https://www.fujitec.com/common/fjhp/doc/top\\_global/document/irarchive/2566/MidTermManagementPlan2022\(E\).pdf](https://www.fujitec.com/common/fjhp/doc/top_global/document/irarchive/2566/MidTermManagementPlan2022(E).pdf)

(Sustainability) <https://www.fujitec.com/sustainability>

#### 【Principle 4-8】

We have appointed a majority of independent outside directors to our board of directors (five directors: Sugita, Yamazoe, Endo, Yamahira, and Indo).

#### 【Principle 4-9】

The criteria for determining the independence of the Company's independent outside directors are as described in Criteria for Appointment of Independent Directors under *II. Relationships With Independent Directors 1. Criteria for Appointment of Independent Directors* in our annual securities report

#### 【Supplementary Principle 4-10-1】

Refer to *Status of establishment of voluntary committees, membership, and attributes of committee chairpersons (chairmen)* and *Supplementary explanations in II. Administrative Organizational Structure Covering Decision-Making, Execution, and Supervision in Management Activities, and Other Corporate Governance Systems*

*I. Matters Related to Institutional Structure and Organizational Operations* in this report.

#### 【Supplementary Principle 4-11-1】

Refer to *I. Corporate Governance Philosophy, Capital Structure, Corporate Attributes, Other Basic Information 1. Basic policy [disclosure based on corresponding principles in the Corporate Governance Code] 1. Basic policy* in this report. The skills matrix listing the expertise, etc., of each director is provided in *Reference Materials for the General Meeting of Shareholders in the Notice of Convocation of the General Meeting of Shareholders*.

(Annual Meeting of Shareholders)

[https://www.fujitec.com/common/fjhp/doc/top\\_global/document/stockholder/2249/Notice%20of%20the%2074th%20Annual%20Meeting%20of%20Shareholders.pdf](https://www.fujitec.com/common/fjhp/doc/top_global/document/stockholder/2249/Notice%20of%20the%2074th%20Annual%20Meeting%20of%20Shareholders.pdf)

#### 【Supplementary Principle 4-11-2】

The status of concurrent positions held by Company directors and members of the Audit and Supervisory Board at other publicly traded companies is disclosed annually through the Notice of Convocation of the General Meeting of Shareholders and the Annual Securities Report.

【Supplementary Principle 4-11-3】

Our board of directors assessed the effectiveness of the board in fiscal 2020 in accordance with the Corporate Governance Guidelines. A summary of the results is as follows.

(Evaluation Summary)

All directors received a questionnaire regarding the sufficiency of materials used at the board of director meetings, the sufficiency of the explanations provided by management related to each agenda item discussed, the appropriateness of board meeting proceedings, and the sufficiency of time and frequency of discussions. A high ratio of respondents answered that measures were appropriate or mostly issue-free. Therefore, we believe that the Fujitec Co., Ltd. board of directors operated in an effective manner during fiscal 2020.

(Future Initiatives)

In light of the results of the questionnaire, we will continue efforts to improve the effectiveness of the board of directors by reviewing the timing and content of materials provided to each director as appropriate. We will also strive to enhancing discussions on sustainable company growth and on improving corporate value over the medium and long term.

【Principle 5-1】

The Company established the following policies regarding the development of systems and initiatives to encourage dialogue with shareholders.

- (i) The Company considers dialogue with shareholders to be an important issue and has consolidated the function for investor relations within Finance HQ to improve the content and strengthen investor relations activities.
- (ii) The Finance HQ responds to requests for dialogue and interviews from shareholders according to the nature of the request.
- (iii) The Company holds financial results presentations and/or discloses explanatory materials on a regular basis. The president and responsible officers provide explanations at financial results presentations.
- (iv) The department responsible for investor relations summarizes opinions and other information received from shareholders as appropriate, reporting to the president and sharing information with the board of directors.
- (v) When engaging in dialogue with shareholders, the Company takes care to manage insider information, focusing on matters related to the Company's sustainable growth and improvement of corporate value over the medium to long term. The Company pays sufficient attention to avoid substantial information gaps among shareholders.

## 2. Capital Structure

Percentage of Shares Held by Foreign Nationals	30% or more
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[Major Shareholders] Updated

Name of Individual or Company	No. of Shares Held (Shares)	No. of Shares Held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,319,100	12.66
Uchiyama International Ltd.	5,043,969	6.19
JPMorgan Bank Luxembourg S.A.381572	4,499,760	5.52
Resona Bank, Ltd.	4,051,638	4.97
JPMorgan Chase Bank 385632	3,931,379	4.82
JPMorgan Chase Bank 380055	3,270,240	4.01
Custody Bank of Japan, Ltd. (Trust Account 4)	3,235,800	3.97
Custody Bank of Japan, Ltd. (Trust Account)	2,710,700	3.33
Mizuho Bank, Ltd.	1,989,209	2.44
MUFG Bank, Ltd.	1,663,863	2.04

Controlling Shareholder (Excluding Parent Company)	-----
Parent Company	None

Supplementary Explanation Updated

- Major Shareholders noted above is as of September 30, 2021, including the supplementary explanation below.
- The Company holds 3,784,649 shares in treasury stock, which is excluded from the list of major shareholders above. No. of Shares Held (%) in the table above represents the ratio of shares held to the total number of issued shares, excluding treasury stock. Treasury shares do not include 275,900 shares held under the E-Ship Trust-Type Employee Shareholding Incentive Plan.
- While we have reported shareholdings by submitting a Report of Possession (Change) of Large Volume per the Financial Instruments and Change Act as described below, the actual number of shares held as of the as of September 30, 2021, cannot be determined and are therefore not included in the table above.

Shareholders	No. of Shares Held and Ownership Ratio	Date of Reporting Obligation (Report Date)
T. Rowe Price Japan, Inc.	7,350,300shares 8.16%	November 30, 2020 (December 7, 2020)
Sumitomo Mitsui Trust Asset Management Co., Ltd.	5,062,800shares 5.62%	November 30, 2020 (December 4, 2020)
Nikko Asset Management Co., Ltd.	984,400shares 1.09%	November 30, 2020 (December 4, 2020)
Sumitomo Mitsui Trust Bank, Limited	165,000shares 0.18%	November 30, 2020 (December 4, 2020)



\* **Categories of Relationships to the Company**

\* A ○ icon indicates a category applicable to said person currently or recently. A △ icon indicates a category applicable to said person in the past.

\* A ● icon indicates a category applicable to a close family member currently or recently. A ▲ icon indicates a category applicable to a close family member in the past.

- a Executive of a listed company or its subsidiary
- b Executive or non-executive director of the parent company of a listed company
- c Executive of a fellow subsidiary of a listed company
- d Person of a listed company considered major client, or an executive of said company
- e Major client of a listed company or an executive of said company
- f Consultant, accounting expert, or legal expert receiving a large monetary sum or other property other than corporate officer remuneration
- g Major shareholder of a listed company (if the major shareholder is a corporation, an executive of said corporation)
- h Executive (said person only) of a client (not covered by items d, e, and f) of a listed company
- i Previous executive (said person only) with connection to the mutual appointment of an outside member of the Audit and Supervisory Committee
- j Previous executive (said person only) of a listed company making donations
- k Other relationship

Relationships to the Company (2)

Name	Independent Directors	Supplementary Explanations for Applicable Items	Reasons for Election
Nobuki Sugita	○	----	<p>For many years, he has held important positions such as university professor of economics, as well as serving in economic-related ministries and agencies. By leveraging the abundant knowledge he has cultivated, he is expected to provide useful suggestions and advice for the management of the Company. Although Mr. Nobuki Sugita has no past experience in corporate management, the Company has judged, for the reasons mentioned above, that he is able to appropriately carry out the duties of an Outside Director.</p> <p>We have designated Mr. Sugita as an independent director as he satisfies the Criteria for Appointment as an Independent Director as provided in II. Relationships With Independent Directors 1. Criteria for Appointment of Independent Directors of this report.</p>
Shigeru Yamazoe	○	----	<p>For many years, he has been involved in the overall management of general trading companies and in global business management. By leveraging the abundant knowledge he has cultivated, he is expected to provide useful suggestions and advice for the management of the Company.</p> <p>We have designated Mr. Yamazoe as an independent director as he satisfies the Criteria for Appointment as an Independent Director as provided in II. Relationships With Independent Directors 1. Criteria for Appointment of Independent Directors of this report.</p>
Kunio Endo	○	----	<p>For many years, he has held important positions in areas such as finance and accounting, etc., as well as the position of director and member of the Audit &amp; Supervisory Board of companies doing business globally. By leveraging the abundant knowledge he has cultivated, he is expected to provide useful suggestions and advice for the management of the Company.</p> <p>We have designated Mr. Endo as an independent director as he satisfies the Criteria for Appointment as an Independent Director as provided in II. Relationships With Independent Directors 1. Criteria for Appointment of Independent Directors of this report.</p>
Keiko Yamahira	○	----	<p>For many years, she has held the positions of director and executive officer of companies doing construction-related business. By leveraging the abundant knowledge she has cultivated, she is expected to provide useful suggestions and advice for the management of the Company.</p> <p>We have designated Ms. Yamahira as an independent director as he satisfies the Criteria for Appointment as an Independent Director as provided in II. Relationships With Independent Directors 1. Criteria for Appointment of Independent Directors of this report.</p>

Mami Indo	○	----	<p>For many years, she has held important positions in the financial field, including as an analyst and in areas related to company management, such as consulting work. By leveraging the abundant knowledge she has cultivated, she is expected to provide useful suggestions and advice for the management of the Company.</p> <p>We have designated Ms. Indo as an independent director as he satisfies the Criteria for Appointment as an Independent Director as provided in II. Relationships With Independent Directors 1. Criteria for Appointment of Independent Directors of this report.</p>
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Establishment of an optional committee corresponding to a Nomination Committee or Compensation Advisory Committee	Yes
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Establishment of an optional committee, members of the committee, and attributes of the chairperson of the committee

	Committee Name	Total Number of Members	Number of Full-time Members	Number of Internal Directors	Number of Outside Directors	Number of Outside Experts	Other	Chairperson
Optional Committee Corresponding to the Nomination Committee	Nomination and Compensation Advisory Committee	3	0	1	2	0	0	Outside Director
Optional Committee Corresponding to the Compensation Advisory Committee	Nomination and Compensation Advisory Committee	3	0	1	2	0	0	Outside Director

Supplementary Explanation

To strengthen the supervisory function of the board of directors and increase transparency in the decision-making process, we have established the Nomination and Compensation Advisory Committee as a voluntary advisory committee to the board of directors, organized under the board. This committee is chaired by an independent outside director, and a majority of members are independent outside directors.

The Nomination and Compensation Advisory Committee deliberates matters related to the election and dismissal of officers, succession plans for the president (chief executive officer), and corporate officer remuneration, reporting to the board of directors.

**[Audit & Supervisory Board Member Relationships]**

Audit & Supervisory Board	Yes
Number of Audit & Supervisory Board Members Under Articles of Incorporation	4 persons
Number of Audit & Supervisory Board Members	4 persons

Coordination Among Members of the Audit & Supervisory Board, Accounting Auditors, and Internal Audit Office

Members of the Audit & Supervisory Board, accounting auditors, and the internal audit office hold a three-way liaison meeting in May and November each year. In these meetings, the parties coordinate their respective audit plans, policies, implementation status, and results, etc. Members of the Audit & Supervisory Board and accounting auditors also communicate and exchange opinions, etc., as needed regarding each other's audit policies, implementation status, and results.

Members of the Audit & Supervisory Board receive reports, etc., regarding the implementation status and results of audits conducted by the internal auditing office as needed.

Appointment of Outside Members of the Audit & Supervisory Board	Appointed
Number of Outside Members of the Audit & Supervisory Board	3 persons
Number of Outside Members of the Audit & Supervisory Board Designated as Independent Directors	3 persons

Relationships to the Company (1)

Name	Category	Relationship to the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Kenichi Ishikawa	Member of another company							△						
Tatsuo Ikeda	Attorney													
Satoshi Hiramitsu	Certified Public Accountant													

\* Categories of Relationships to the Company

\* A ○ icon indicates a category applicable to said person currently or recently. A △ icon indicates a category applicable to said person in the past.

\* A ● icon indicates a category applicable to a close family member currently or recently. A ▲ icon indicates a category applicable to a close family member in the past.

- a Executive of a listed company or its subsidiary
- b Non-executive director or accounting advisor of a listed company or its subsidiary
- c Executive or non-executive director of the parent company of a listed company
- d Audit & Supervisory Board member of the parent company of a listed company
- e Executive of a fellow subsidiary of a listed company
- f Person of a listed company considered major client, or an executive of said company
- g Major client of a listed company or an executive of said company
- h Consultant, accounting expert, or legal expert receiving a large monetary sum or other property other than corporate officer remuneration
- i Major shareholder of a listed company (if the major shareholder is a corporation, an executive of said corporation)
- j Executive (said person only) of a client (not covered by items f, g, and h) of a listed company
- k Previous executive (said person only) with connection to the mutual appointment of an outside corporate officer
- l Previous executive (said person only) of a listed company making donations
- m Other relationships

## Relationships to the Company (2)

Name	Independent Directors	Supplementary Explanations for Applicable Items	Reason for Election
Kenichi Ishikawa	○	Kenichi Ishikawa worked for Resona Bank, Ltd. in the past (until June 23, 2014). Resona Bank, Ltd. is a financial business partner of the Company, and the bank owns 4,051 thousand shares of the Company. The Company owns 258 thousand shares of Resona Holdings, Inc., parent company of the bank. The bank and the holding company subsidiaries have business relationships with the Company in the form of orders and loans for the installation and maintenance of elevators and escalators, etc.	<p>We believe that Mr. Ishikawa will be able to appropriately perform his duties as a member of the Audit &amp; Supervisory Board by offering his experience and insight in finance and accounting, cultivated over many years serving in important positions at financial institutions. Although Mr. Ishikawa has never been involved in the management of a company other than as an outside director, for the reasons stated above, the Company believes he will be able to perform his duties appropriately as an outside member of the Audit &amp; Supervisory Board.</p> <p>Further, Mr. Ishikawa retired from Resona Bank, Ltd. on June 23, 2014 (more than five years ago). We have designated Mr. Ishikawa as an independent director as he satisfies the Criteria for Appointment as an Independent Director as provided in II. Relationships With Independent Directors 1. Criteria for Appointment of Independent Directors of this report.</p>
Tatsuo Ikeda	○	-----	<p>Tatsuo Ikeda has a wealth of experience and insight, including many years of experience as a university professor, lawyer, and service in key positions on local government councils, etc. Mr. Ikeda well versed in corporate legal affairs, and we believe he will continue to perform his duties appropriately as an outside member of the Audit &amp; Supervisory Board by offering his knowledge of general corporate management, including finance and accounting.</p> <p>We have designated Mr. Ikeda as an independent director as he satisfies the Criteria for Appointment as an Independent Director as provided in II. Relationships With Independent Directors 1. Criteria for Appointment of Independent Directors of this report.</p>
Satoshi Hiramitsu	○	-----	<p>Although Mr. Hiramitsu has not been involved in corporate management in the past other than as an outside director of other companies, he is familiar with corporate financial statement audits and acquisition due diligence, having worked as a certified public accountant and tax accountant for many years. He has also served as an outside member of an Audit &amp; Supervisory Board. We believe Mr. Hiramitsu will continue to perform his duties appropriately as an outside member of the Audit &amp; Supervisory Board by offering his extensive knowledge of finance, accounting, and tax affairs.</p> <p>We have designated Mr. Hiramitsu as an independent director as he satisfies the Criteria for Appointment as an Independent Director as</p>

			provided in II. Relationships With Independent Directors 1. Criteria for Appointment of Independent Directors of this report.
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## [Independent Director Relationships]

Number of Independent Directors	8 persons
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### Other Items Related to Independent Directors

1. All outside directors who satisfy the criteria for independent directors have been designated as independent directors.

#### 2. Standards for appointment of independent directors

Having provided an explanation to independent directors at a meeting of the board of directors, the Company may, upon gaining the understanding, recommendation, or agreement of said independent directors, appoint an individual as independent director who is not subject to any of the items below. The Company may also appoint such an individual who is subject to any of the items b. through h. below if the Company has reason to believe said individual possesses the ability to make appropriate independent decisions in light of the individual's character, expertise, etc., said individual may be appointed independent director pursuant to a resolution of the board of directors, under the condition that said reasoning has been explained externally.

- a An executive director, executive officer, or manager or other employee of the Company or any of its subsidiaries (or a person who has held an equivalent position within the past 10 years)
- b (i) A person who is a shareholder owning 10% or more of Company voting shares, or, when said shareholder is a corporation owning 10% or more of Company voting shares, a director, member of the Audit & Supervisory Board, accounting advisor, executive officer, executive director, or manager or employee of said parent company or important subsidiary (or person who has held an equivalent position within the past five years)  
(ii) A person who is a director, member of the Audit & Supervisory board, accounting advisor, executive officer, executive director, or manager or employee of a company of which the Company owns 10% or more of voting shares
- c (i) A person who has paid the Company an amount representing 2% or more of the Company's consolidated net sales related to business transactions with the Company in the current fiscal year (or a party who has paid an equivalent or greater annual amount in any of the most-recent three fiscal years of the Company)  
(ii) A person to whom the Company or a Company subsidiary has paid an amount representing 2% or more of said person's consolidated net sales related to business transactions with said person in the current fiscal year (or a person to whom the Company has paid an equivalent or greater annual amount in any of the most-recent three fiscal years of said person)  
(iii) In the case where the person related the transaction referred to in (i) or (ii) above is a corporation, the executive director, executive officer, corporate officer, or manager or other employee of the said company, its parent company, or important subsidiary
- d Directors, officers, or employees in charge of business execution at public interest foundations, public interest incorporated associations, non-profit corporations, or other organizations that have received donations or grants from the Company or its subsidiaries in excess of an average of 10 million yen per year or 30% of the annual total expenses of said organization, whichever is greater, over the past three years
- e Directors, corporate auditors, accounting advisors, executive officers, or corporate officers of companies or their subsidiaries that accept full-time or part-time directors from the Company or its subsidiaries
- f Directors, corporate auditors, accounting advisors, executive officers, corporate officers, managers, or other employees of financial institutions or other major creditors, or their parent companies or important subsidiaries, who are indispensable to the Company's financing and on whom the Company depends to the extent that there is no substitute available (or who have held an equivalent position in the past three years)
- g (i) A representative, partner, or employee (or person involved in actual, not auxiliary, services) of an audit corporation of the Company or Company subsidiary or certified public account, tax accountant, audit corporation, or tax accountant corporation involved in the accounting of the Company or Company subsidiary (or person who has held an equivalent position within the past three years)  
(ii) Lawyers, certified public accountants, tax accountants, or other consultants not subject to (i) above, who have received monetary or other financial benefits from the Company or company subsidiary in the amount of 10 million yen or more per year on average for the past three years  
(iii) A person who is a representative, partner, associate, or employee of a law firm, audit corporation, tax accountant corporation, consulting firm, or other professional advisory firm not subject to either (i) or (ii) above, who has received payments from the Company or Company subsidiary in an amount of 2% or more of total net sales on average over the past three years
- h A spouse, relative within the second degree of kinship, or relative living in a household with a person subject to any of the items a. through g. above, or a person whose spouse, relative within the second degree of kinship, or relative living in the same household is subject to any of the items a. through g. above
- i A person who may have a permanent and substantial conflict of interest with the Company's general shareholders for reasons other than those considered in items a. through h. above

## [Incentives]

Remunerative Incentives for Directors	Adoption of Performance-Linked Compensation Plan, Other
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### Supplementary Explanations for Applicable Items

Indicators related to performance-linked compensation, the reasons for selecting such indicators, and the method for determining the amount of performance-linked compensation are as described under *Information Disclosure for Regarding Policy for Determining Compensation Amount and Method of Calculation* in II. Relationships With Independent Directors 1. Matters Related to Director Compensation.

To improve corporate value on a sustainable basis, as well as to encourage a greater sense of shared value with shareholders, the Company adopted a restricted stock remuneration plan for directors (excluding outside directors) in replacement of the stock option plan. The new plan was approved at the 74th Ordinary General Meeting of Shareholders held June 22, 2021. Of those stock acquisition rights already granted as stock options, the unexercised portion will remain effective; however, no new stock options will be granted.

The Company has also adopted a restricted stock remuneration plan for executive officers who do not serve concurrently as directors.

Persons Eligible for Stock Options	
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**[Matters Related to Director Compensation]**

Disclosure of Individual Director Compensation

The company does not disclose individual compensation.

The Company discloses total compensation, etc., by category of officer, by total amount of remuneration, etc., by type of remuneration, etc., and the number of eligible officers.

Policy for Determining Compensation Amount and Method of Calculation

Yes

## Information Disclosure for Regarding Policy for Determining Compensation Amount and Method of Calculation

## Policy for Determining Director Compensation Amount and Method of Calculation

In regard to its policy for decisions on systems related to director compensation and agenda submission to the General Meeting of Shareholders, the company shall make decisions with a resolution of the Board of Directors, the membership of which independent outside directors shall comprise more than half, with a basic policy of providing incentives for working to improve the corporate value of the company on an ongoing basis, as well as of encouraging a greater sense of shared value with shareholders. An overview of this decision-making policy for the fiscal year under review is as follows.

- (i) Performance-linked remuneration (bonuses) and remuneration other than performance-linked (basic remuneration and grants of restricted stock) will be allocated at a ratio of approximately 1:2.
- (ii) Basic remuneration to be paid to each Director as fixed monthly monetary remuneration shall be calculated by taking into account the responsibilities and activities of each director, as well as remuneration paid at other companies.
- (iii) Restricted stock will be granted in accordance with the activities of each director in his or her assigned duties and the degree of contribution to business performance.
- (iv) To motivate directors to improve performance in the short and medium term, a bonus shall be paid as performance-linked remuneration within four months after the end of the current fiscal year. The bonus amount shall be determined based on operating income of the previous fiscal year, used as a performance indicator. This indicator shall take into consideration an addition or subtraction of the amount in the previous fiscal year according to the level of achievement. The amount of bonus to be paid to each individual Director will be according to the activities of his or her assigned duties and the degree of contribution to business performance.

At the 74th Ordinary General Meeting of Shareholders held June 22, 2021, the stock option compensation plan was abolished. In a meeting held the same day, the board of directors adopted a resolution to grant restricted stock according to issuance price, timing, and conditions, determined in accordance with the activities of each director in his or her assigned duties and the degree of contribution to business performance.

Basic remuneration and bonuses (subject to performance-linked compensation) for individual directors (excluding outside directors) shall be allocated by adding or subtracting the amount of basic remuneration and bonuses for the previous fiscal year in accordance with the domestic and overseas business, the duties for which the director in question is responsible, and the degree of said director's contribution. Amounts for outside directors shall be determined in consideration of their experience, knowledge, activities, and other factors, as well as considerations of examples of amounts paid at other companies. A certain amount of basic corporate officer remuneration (excluding outside directors) shall be provided to the director shareholding (\*) association.

(\*) This does not imply that the Company has established a policy for each position regarding the determination of the amount and calculation method of remuneration, etc., for directors.

(Name and title of the person authorized to make decisions on Policy for Determining Director Compensation Amount and Method of Calculation, and the details and scope of his or her authority and discretion)

With respect to the determination of the amount and calculation method of director remuneration, etc., the board of directors shall deliberate and determine these policies based on consultations and reports received from the Nomination and Compensation Advisory Committee (\*i). As for the amount of remuneration, etc., for individual directors, the board of directors has delegated to Company president Koichi Uchiyama the decision for amounts within the scope of the annual amount of remuneration, etc., per resolution of the General Meeting of Shareholders (\*ii) and in accordance with the policy decided by the board of directors. This delegation of authority was made in the belief that it is optimal for the president to evaluate the activities, responsible duties, contributions, etc., of each director from a high-level view of the overall performance of the Company. We have also obtained advice and findings from the Nomination and Compensation Advisory Committee to ensure appropriateness and transparency.

(Reasons supporting the board of director determination that the details of remuneration, etc., for each individual director is in line with the policy determined)

The details of remuneration for individual directors described above have been discussed at a meeting of the board of directors, consisting of a majority of independent outside directors. Further, since February 2021, we have conducted a comprehensive review of said details, including a review by the Nomination and Compensation Advisory Committee on the consistency of decision policies. With due respect given to the content of this report, we have determined that the details described above are consistent with the decision policy in question.

\*i. Activities of the board of directors and Nomination and Compensation Advisory Committee in the process of determining the amount of corporate officer remuneration, etc.

With respect to the activities of the board of directors in the process of determining director remuneration for the fiscal year under review, the board held a meeting on June 23, 2020. In this meeting, the board deliberated and decided policies regarding the determination of the calculation method of remuneration, etc., and the delegation of decision-making authority. The Company's president evaluated and made decisions regarding the amount of basic remuneration and bonuses for each director in accordance with the decision of the board (\*).  
 (\*Five of the nine directors (representing a majority) present at board of director meeting in question were outside directors. Three of the four members

(representing a majority) present at the Audit & Supervisory Board meeting in question were outside members of the Audit & Supervisory Board.) Each outside director and outside member of the Audit & Supervisory Board are independent directors or independent members in accordance with the Company's *Criteria for Appointment of Independent Directors*.)

The Nomination and Compensation Advisory Committee, established according to a resolution of the board of directors at a meeting held February 9, 2021, and consisting of a majority of independent outside directors to ensure objectivity and rationality, shall gather when necessary to deliberate, reconcile, and examine the consistency of the revisions to the policies stated above in response to requests from the board of directors regarding the submission of agenda items related to director remuneration, etc., at general meetings of shareholders. Further, in response to requests from the president, the committee shall gather when necessary to deliberate, reconcile, and examine the consistency of the details of evaluations of basic remuneration and bonuses for individual directors. Since the establishment of the committee, committee members have met four times for deliberations, etc., summarizing examining the details of said evaluations. The committee confirmed that there were no inconsistencies with respect to the details of the proposals and evaluations in question.

\*ii. The date and details of the resolution of the general meeting of shareholders concerning corporate officer remuneration, etc.

At the 60th Ordinary General Meeting of Shareholders, held on June 27, 2007, shareholders approved remuneration for company directors up to an amount of 500 million yen per annum (not including the portion of salaries representing employee compensation for directors who serve concurrently as employees), and approved remuneration for members of the Audit & Supervisory Board up to an amount of 60 million yen per annum. As of the conclusion of the Ordinary General Shareholders' Meeting in question, Fujitec had nine directors (three of whom were outside directors) and three members of the Audit & Supervisory Board.

Furthermore, for directors who are not outside directors, a resolution of the 66th Ordinary General Meeting of Shareholders, held on June 25, 2013, determined that stock acquisition rights as compensatory stock options would be issued up to an amount of 100 million yen per annum. As of the conclusion of the Ordinary General Shareholders' Meeting in question, Fujitec had four directors (excluding outside directors).

At the 74th Ordinary General Meeting of Shareholders held June 22, 2021, shareholders resolved to approve restricted stock-based compensation to directors (excluding outside directors). The amount and number of shares to be granted are no more than 100 million yen per year (not including employee compensation for directors serve concurrently as employees) and 200,000 shares per year, respectively. As a result, the above-mentioned stock option was abolished (except for those shares already granted).

### [Support System for Outside Directors (and Outside Members of the Audit & Supervisory Board)]

Materials to be used in board of director meetings distributed in advance.

## 2. Matters on Functions Related to Business Execution, Auditing and Supervision, Appointments, and Remuneration (Overview of Current Corporate Governance System) Updated

As a company with Audit & Supervisory Board, the Company has a board of directors consisting of nine directors (including five outside directors), which makes decisions on important management matters and supervises the execution of duties by directors. At the same time, the Audit & Supervisory Board, which consists of four members (including three outside members), audits the execution of duties by directors.

To strengthen the supervisory function of the board of directors and increase transparency in the decision-making process, we have established the Nomination and Compensation Advisory Committee as a voluntary advisory committee to the board of directors under, organized under the board. This committee is chaired by an independent outside director, and a majority of members are independent outside directors. The roles and composition of the committee are described in *Establishment of an optional committee corresponding to a Nomination Committee or Compensation Advisory Committee* under II. *Administrative Organizational Structure Covering Decision-Making, Execution, and Supervision in Management Activities, and Other Corporate Governance Systems 1. Matters Related to Institutional Structure and Organizational Operations*.

The Global Executive Committee meets quarterly to deliberate important matters related to group management, including the pursuit of domestic and overseas business. Operating officers meet monthly to deliberate important issues related to domestic business. Directors serve concurrently as operating officers attend Global Executive Committee meetings, which are also attended by full-time members of the Audit & Supervisory Board. Meetings of the operating officers are attended by all directors who serve concurrently as operating officers in our domestic business. Agendas and results of these important meetings are reported to outside directors on a case-by-case basis.

We established the standing Risk Management Committee to reduce various business risks. The committee is chaired by the president and seeks to detect and respond to risk factors that have a significant impact on society, such as compliance, information security measures, and product safety, as well as investigating and considering risk factors subordinate to this committee. The committee is responsible for risk management across the entire group. The Risk Management Steering Committee encourages and enforces the prompt and accurate collection of information, as well as guidance and management in the execution of business operations. In this way, risk management functions on a company-wide basis.

The Compliance Committee pursues compliance-related activities by formulating an annual Compliance Action Plan toward appropriate corporate activities and to ensure employees are fully aware of the need to comply with laws, regulations, and corporate ethics. As part of these activities, the committee conducts group training or on-demand training via e-learning, encouraging the holding of appropriate seminars in each job classification and department as appropriate to familiarize employees with reference cases, relevant laws and regulations, and to conduct educational activities. In addition, we have established a Compliance Consultation Desk as an internal reporting system for compliance, allowing any employee to report and consult directly without having to submit questions through regular reporting lines. In this way, the Company strives to prevent improper activities.

The Company endeavors to protect information assets by maintaining and improving security. To this end, the Information Security Committee establishes security policies and response standards, examines and deliberates on the use, handling, and management of information networks, systems, and equipment. The committee also provides guidance, education, and conducts awareness-raising activities based on in-committee considerations and deliberations. Specifically, the committee provides information security education based on examples of security incidents and cyber-attacks from external sources. As part of this education, the committee sends mock e-mails to all employees to simulate attacks and engages in other activities to raise an awareness of security among employees. In addition, we have organized a Computer Security Incident Response Team (CSIRT) as a response mechanism in the event of an information security incident or accident. We have established a system for communicating security-related information during normal times, investigating incidents, analyzing causes, conducting recovery operations, and responding to internal and external stakeholders.

To strengthen our response to issues related to sustainability, we established the Sustainability Committee, which is chaired by the Company president. This committee is responsible for deliberating, managing, and supervising the consistency of materialities with management plans, the progress of current initiatives, and the formulation of medium- and long-term implementation activity and goal plans.

## 3. Reasons for Selecting Current Corporate Governance System

I Based on the basic concepts of Section 1, we are strengthening guidance and management related to our business execution structure through risk management and other standing committees. At the same time, directors who serve concurrently as executive officers monitor the status of business execution by attending important meetings.

The Company strives to optimize our governance structure to ensure the roles and functions of each committee operate effectively. These efforts include

reporting the agenda and results of important meetings so outside directors can provide appropriate advice, and encouraging information sharing among members of the Audit & Supervisory Board, accounting auditors, and internal auditors, which are entities independent of business execution.

In addition, we have established a voluntary Nomination and Compensation Advisory Committee, the majority of whose members are independent outside directors. This committee raises the level of objectivity and transparency in the procedures for determining the nominations and compensation of directors, enhancing the Company's corporate governance structure.

### III Measures for Shareholders and Other Stakeholders

#### 1. Efforts to Boost Participation in General Shareholder Meetings and to Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Sending of General Meeting of Shareholders Convocation Notice	Our basic policy is to send convocation notices 22 days prior to the date of the general meeting of shareholders.
Scheduling Meetings to Avoid Peak Meeting Day	The annual general meeting of shareholders has been held on June 22, 2017, June 22, 2018, June 21, 2019, June 23, 2020 and June 22, 2021, avoiding days on which many other companies hold their meetings.
Electronic Exercise of Voting Rights	Shareholders may exercise voting rights via the internet.
Improve Voting Environment for Institutional Investors (Participation in the Electronic Voting Platform, Etc.)	We make use of the platform for the electronic exercise of voting rights operated by ICJ, Inc.
Invitations (Overview) Sent in English	An English translation of the notice of convocation is prepared and made available on the Company's official website.
Other	The convocation notice is disclosed on the Company's website prior physical sending via post to facilitate the exercise of voting rights.

#### 2. Investor Relations Activities Updated

	Supplementary Explanation	Explanation from Representative
Regular Investor Briefings for Analysts and Institutional Investors	We give presentations to analysts and institutional investors in Japan and overseas in conjunction with interim and year-end financial results. We also provide support for individual investors, including telephone interviews.	Yes
Posting of IR Materials on Website	We publish financial results, shareholder newsletters, securities reports, quarterly reports, financial highlights, annual reports, etc., on our investor relations webpage.	
Establishment of Investor Relations Department	Finance HQ	

#### 3. Respecting the Position of Stakeholders Updated

	Supplementary Explanation
Respect for the Position of Stakeholders Stipulated in Internal Rules and Regulations	Our Management Philosophy states the basic philosophy that we strive to increase the trust and satisfaction of our stakeholders. To set an example and achieve management, human resources, and corporate conduct in line with this basic philosophy, we established the Management Human Resources Philosophy and Corporate Code of Conduct.
Implementation of Environmental Protection Activities and CSR Activities	We participate in cleanups and environmental beautification activities, as well as CO2 reduction and eco-promotion campaigns, as part of our environmental conservation activities and contribution to local communities. We disclose the status of these and other activities on our website under <i>CSR Initiatives</i> ( <a href="https://www.fujitec.co.jp/corporate/csr">https://www.fujitec.co.jp/corporate/csr</a> ).

## Formulation of Policies for Providing Information to Stakeholders

We formulated Information Disclosure Rules and other policies for the prompt, accurate, and fair disclosure of corporate information. The director in charge of finance receives reports on decisions, financial information, and incidents from across the group. This individual makes judgments regarding the necessity of disclosure based on the Timely Disclosure Rules, etc., and either submits a report to the president or to the board of directors.

## IV Matters Related to Internal Control Systems

### 1. Basic Concepts and Creation of Internal Control Systems

The Group establishes and maintains internal control systems necessary to meet the expectations and trust of stakeholders, as well as to ensure the management soundness.

Based on the Management Philosophy, the Management Human Resources Philosophy, and the Corporate Code of Conduct, we established the Basic Policy for Internal Controls via resolution of the board of directors. We designated a department in charge of internal controls to ensure the Group's internal controls system functions in accordance with this policy. We strive to improve the internal controls system by visualizing the business processes of each business division in response to internal controls evaluations and audits.

The Company establishes committees of certain specializations to provide necessary guidance and management for the execution of business. These committees are described in *II. 2. Matters on Functions Related to Business Execution, Auditing and Supervision, Appointments, and Remuneration (Overview of Current Corporate Governance System)*.

### 2. Philosophy and Systems for Dealing with Anti-Social Forces

Basic Policy and Status of Systems for Dealing with Antisocial Forces

#### (1) Basic policy

- a. We do not have relationships of any kind with antisocial forces, and we will not conduct any transactions with such entities.
- b. In the event that transactions with antisocial forces are discovered, we take appropriate measures promptly to terminate such transactions.
- c. We do not provide funds of any kind to antisocial forces.
- d. We do not respond to any unreasonable demands from antisocial forces. In the event we identify unreasonable demands from antisocial forces, we take civil or criminal legal action.
- e. To prevent damage caused by antisocial forces, the Company cooperates with the police and other external specialized organizations, responding in an organized and appropriate manner.
- f. We ensure the safety of our officers and employees from antisocial forces.

#### (2) Status of systems

In addition to the above policies, the Company has established standards for responding to unreasonable demands and has made these standards known to all officers and employees. The General Affairs Department, which is the department responsible for overseeing said responses, collects and manages information on antisocial forces. In the event of an unreasonable demand, the department works closely with the police, the National Center for Removal of Criminal Organizations, and legal counsel to ensure early reporting and consultation.

## V. Other Matters

### 1. Anti-Takeover Measures

Anti-Takeover Measures	Yes
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#### Supplementary Explanations for Applicable Items

The Company has updated our Policy on Large-Scale Purchases of Company Shares (Large-Scale Purchase Rules), approved by our shareholders at the 72nd Ordinary General Meeting of Shareholders held in June 2019. Details regarding this policy are provided on the Company's website in a document titled, *Renewal of Countermeasures Large-Scale Purchases of Fujitec Co., Ltd. Stock (Takeover Defense Measures)*.

An overview of this policy is provided below. The Company adopted the revised plan in question with the approval of shareholders at the 72nd Ordinary General Meeting of Shareholders on June 21, 2019. However, we have considered recent trends in anti-takeover measures carefully, taking note of the opinions of domestic and foreign institutional investors and other shareholders, as well as the wider adoption of the Corporate Governance Code of Japan. As a result, we determined that the need for said plan has lessened comparatively, and at a meeting held December 4, 2020, our board of directors resolved to not continue the plan as of the conclusion of the 75th Ordinary General Meeting of Shareholders to be held in June 2022, which is the end of the effective term of the current plan. Fujitec will continue to secure and improve corporate value and the common interests of our shareholders after the discontinuation of the plan. At the same time, we will require any large-scale purchaser of company shares to provide information in a sufficient and necessary manner to allow shareholders to make appropriate judgments as to the propriety of such large-scale purchases, while also disclosing the opinions, etc., of our board of directors and securing time for our shareholders to conduct a review. In this way and others, we will take appropriate measures based on the Financial Instruments and Exchange Act, the Companies Act, and other relevant laws and regulations.

#### a. Requests for the provision of information to large-scale purchasers and waiting period

To preserve and enhance the Company's corporate value and common shareholder interest, the large-scale purchase rules set forth the procedure through which the board of directors take the following measures with respect to an entity which attempts a large-scale purchase of Company stock: (a-i) request the party planning the large-scale purchase ("large-scale purchaser") provide necessary and sufficient information regarding the proposed large-scale purchase in advance; (a-ii) secure time to collect information and to examine the proposed large-scale purchase; and (a-iii) present a plan or an alternative proposal formulated by the board to shareholders and negotiate with said large-scale purchaser. To achieve the intent and objectives of these procedures, the board of directors will also require the large-scale purchaser or specified shareholder groups to refrain from commencing the proposed large-scale purchase until the procedures set forth in the plan have been completed.

In the event that the large-scale purchaser does not follow procedures as defined in the large-scale purchase rules, or if the large-scale purchase, etc., could be detrimental to the Company's value and, in turn, the common interests of our shareholders, the Company has established large-scale purchase rules to ensure countermeasure requirements are not triggered unless predetermined objective requirements have been met. In the event that these requirements have been met, the Company will allocate stock acquisition rights gratis as a countermeasure.

b. Establishment of the Independent Committee and consultation with the Independent Committee

Decisions regarding the implementation, non-implementation, or acquisition of stock acquisition rights in accordance with large-scale purchase rules are made only after the Independent Committee has reached an objective decision. The members of this committee consist solely of outside directors, outside members of the Audit & Supervisory Board and external experts (business executives, attorneys, certified public accountants, and others with a business or academic background) who are independent of the Company's senior executives to avoid any arbitrariness in said decision.

If a recommendation is made by the Independent Committee to implement the gratis allotment of stock acquisition rights, the Company board of directors shall, in principle, convene a general meeting of shareholders to confirm the intent of the shareholders.

## **2. Other Matters Related to Corporate Governance System**

None

Fig. 1. Corporate Governance System

**Fig. 1. Corporate Governance System**

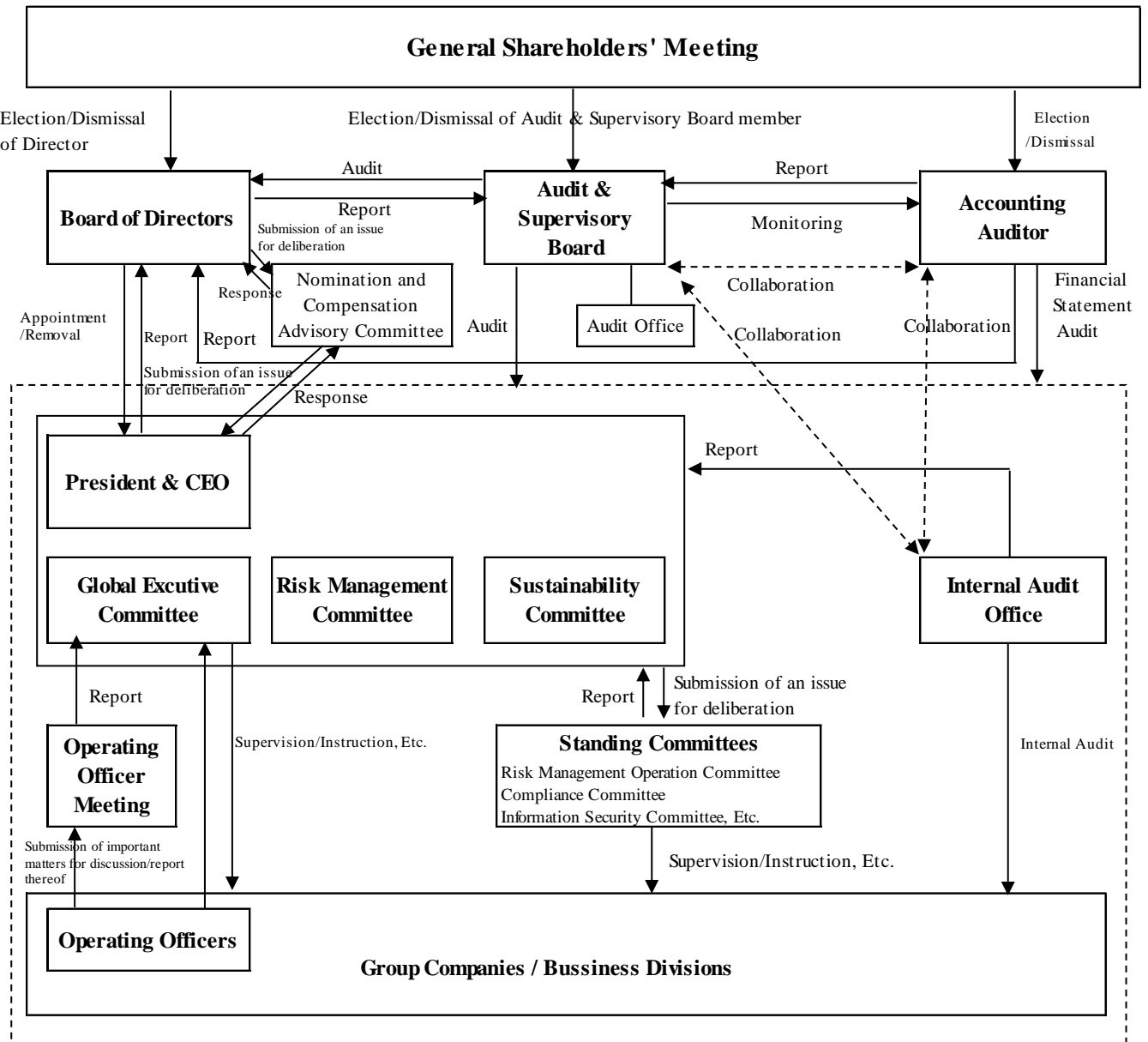


Fig. 2. Timely Disclosure System Flowchart

