

Last Update: December 15, 2022  
KAGA ELECTRONICS CO., LTD.  
Ryoichi Kado,  
Representative Director,  
President & COO  
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The status of corporate governance by the Company is described below.

I. Basic approach to corporate governance, capital structure, corporate attributes, and other basic Information

**1. Basic Approach**

- (1) The Company is cognizant that enhancing corporate governance is a key management issue and takes measures to ensure total compliance with corporate ethics and laws and regulations and to reinforce internal control systems while making ensuring the soundness, efficiency and transparency of business operations and raising corporate value its fundamental policies and objectives.
- (2) In view of the importance of corporate governance, we have established the CSR Promotion Committee, SDGs Committee, and Nomination and Compensation Committee to strengthen our corporate governance system.
- (3) The Company strives to increase corporate value while maintaining good relationships with stakeholders (interested parties).
- (4) The Board of Directors holds monthly regular meetings and holds extraordinary meetings on a flexible basis as needed. The Board makes decisions on matters specified by laws and regulations and other important matters relating to management and oversees the status of the performance duties by each director. The Company has 11 directors (of which four are outside directors) and has established a structure that enables adequate deliberation and appropriate and timely decision-making. The Company instituted an employment-based executive officer system on April 1, 2005, and instituted a delegation-based executive officer system on April 1, 2022, to further improve corporate governance. In this way, the Company segregated management decision-making and supervisory functions from business execution functions and clarified each role, and has established structures that enable timely response to changes in the external environment while enhancing the functions of the Board of Directors and business execution functions.
- (5) Through the activities of the Information Disclosure Committee, we are working to ensure that corporate information about the Company is disclosed in an easy-to-understand, fair, timely, and accurate manner, and we are also working to enhance our IR and public relations staff as an organization to implement this further.
- (6) In light of the increasing emphasis placed on internal controls, the Audit office was placed under the direct authority of the Representative Director, President & COO and works in collaboration with Administration Headquarters, etc to conduct audit operations regarding the appropriateness of business activities including Group companies, the status of use of company resources, and the status of compliance with laws, regulations, and internal rules. In addition, the Company strives to comprehensively operate internal control systems in response to enforcement of the Financial Instruments and Exchange Act.
- (7) The Supervisory Board comprises four members including two outside members. Supervisory Board members attend all meetings of the Board of Directors and carry out their duties by actively attending other important internal meetings and through other means. There are no interests between the

Company and the outside Supervisory Board members including personal relationships or capital relationships. Note that although, with respect to Yoichi Sato, an agreement is entered into between the Company and the law firm of which the said individual is a member, for the provision of legal services, etc., Yoichi Sato is not a partner of that law firm and is not involved in the management of that firm.

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

The Company implements all the principles established in the Corporate Governance Code.

### **Disclosure Pursuant to the Principles of the Corporate Governance Code**

Principle 1-4: So-called strategic stockholdings

#### ● Stockholding policy

The company holds publicly traded shares with the aim to build, support, and develop businesses relationships beneficial to increasing its shareholder value. Regarding stock held, business relations with the company, equity-method net earnings, dividend payouts, book value and market value comparisons, and other matters are reported to the board of directors once a year, and the board of directors periodically confirms whether or not to continue to hold the shares (including decreases in the number of shares held). Information concerning the number of shares for each issue of specified shares and the amount recorded in the balance sheet, etc. can be found in the Annual Securities Report.

#### ● Regarding the use of voting rights relating to strategic stockholdings

The company will use its voting rights with its stockholding objectives in mind, after careful examination of the other company's management policy and the content of individual agenda items, and based on whether or not an item will contribute to the expansion of both companies' medium- and long-term shareholder value.

Principle 1-7: Related-Party Transactions

In cases where Company officers conduct transactions with related parties, the transactions are approved by resolution of the Board of Directors in accordance with the Rules on Corporate Officers and other rules. In addition, all officers are obligated to submit a written Confirmation of Transactions with Related Parties with regard to their transactions with related parties at the end of each year. In cases where the Company conducts transactions with major shareholders and others, the Board of Directors discusses the particulars of the transactions in accordance with the Detailed Table of Authority.

Principle 2-4: Ensuring Diversity, Including Active Participation of Women

Supplementary Principle 2-4-1

<Approach to Ensuring Diversity>

#### 1. Appointment of Women to Managerial Positions

The Company aims to achieve a ratio of female managers of around 25% during the 2030s. Accordingly, based on a mid- to long-term perspective, the Company will promote the creation of an environment where women can actively participate as a matter of course and support the autonomous growth of our employees. At the same time, we will also continuously work to ensure that our female employees accumulate experience, develop a career mindset, etc., and thereby steadily increase the proportion of women among core human resources.

#### 2. Appointment of Foreign Nationals and Mid-career Hires to Managerial Positions

Regarding foreign nationals and mid-career hires, the Company is not aware of any particular differences arising as a result of nationality or the time when employees were hired when appointing employees to managerial positions. As such, our target is to maintain the current level of such appointments.

<Voluntary and Measurable Goals for Ensuring Diversity>

#### 1. Appointment of women to managerial positions

Current: 13.3% During 2020s: 17.0% / During 2030s: 25.0%

#### 2. Appointment of foreign nationals to managerial positions

Current: 28.4% Maintain current level

### 3. Appointment of mid-career hires to managerial positions

Current: 42.5% Maintain current level

#### Principle 2-6 Function as asset owner of corporate pensions

In order to provide retirement benefits to its employees, the company uses both a defined benefit corporate pension plan and a defined contribution pension plan.

The management of the defined benefit corporate pension reserve is relegated to an asset management entity that has declared its acceptance of the Stewardship Code, and the company appropriately supervises said management, e.g. via regular reports to its relevant internal department.

#### Principle 3-1: Enhancement of Information Disclosures

1. The Company's vision (corporate principles and so on), management strategies, and management plans are posted on the Company's website as the Kaga Electronics Corporate Philosophy and Action Guidelines at <https://www.taxan.co.jp/en/company/vision/>, and information on our medium-term management strategy can be found at [https://www.taxan.co.jp/en/ir/management/management\\_07.html](https://www.taxan.co.jp/en/ir/management/management_07.html).

2. With regard to the Company's fundamental approach and policies on corporate governance, refer to this report, Section I: Basic approach to corporate governance, capital structure, corporate attributes, and other basic information, Part 1: Basic approach.

3. With regard to policies and procedures for the determination of the remuneration of management executives and directors by the Board of Directors, refer to this report, Director Remuneration under Section II: Management decision-making, management organizations for execution and supervision, and other elements of the corporate governance system.

4. At Kaga Electronics, our policy when nominating director candidates is to "nominate persons with character and insight, who will contribute to the sustainable growth of the Group and corporate value over the mid to long term as director candidates." When selecting corporate auditors, our policy is to select "persons of appropriate character for corporate auditors, with advanced specialist knowledge and abundant experience." When nominating director candidates, first, the Nomination and Compensation Committee, an advisory body to the Board of Directors, deliberates the nominations and makes a report to the Board of Directors, then upon receiving this report, the Board of Directors deliberates and decides on the nominations.

When nominating corporate auditor candidates, after the Nomination and Compensation Committee has deliberated the matter and the consent of Board of Auditors has been obtained, a report is made to the Board of Directors. Upon receiving this report, the Board of Directors deliberates and decides on the nominations. The Nomination and Compensation Committee consists of four outside directors and three internal directors. In addition, the Board of Directors decides on the selection and dismissal of upper-level management based on the employment-based and delegation-based executive officer regulations and criteria of each type of qualification, and after evaluation by the Group Management Headquarters Meeting and the Nomination and Compensation Committee.

5. The company will provide explanations regarding the naming and selection and dismissal of board directors and corporate auditors at appropriate times via means such as news releases and convocation notices for general shareholder meetings.

#### Supplementary Principle 3-1-3

##### <Sustainability Initiatives>

In order to strengthen unity within the Group with regard to SDGs initiatives and promote sustainability management, on April 1, 2022, the Company established the SDGs Promotion Office, under the direct authority of the President. Also on April 1, 2021, the Company established the SDGs Committee, which is chaired by the Representative Director, President & COO, and whose members are the officers overseeing each division, etc., and created working groups with the themes of "Environment," "Society," and "Governance" that report directly to the SDGs Committee. In this way, the Company have established systems, and the Company are formulating policies, measures, and goals relating to ESG issues, and monitoring the status of progress, etc.

Thus far, the SDGs Committee has met five times, and, in principle, each working group meets once each month, thereby providing numerous opportunities for active discussion and consideration of each theme. As one of the results of these efforts, on November 25, 2021, the Company formulated its “Medium- to Long-Term Sustainability Management Plan.”

<Disclosure Based on the TCFD or Equivalent Frameworks>

Led by the Environment Working Group, and giving reference to the TCFD recommendations framework, the matters the Company consider to be the major physical risks as well as the transition risks and opportunities relating to climate change, and our response policies, can be found on the sustainability information page of our website. Sustainability page: <https://www.taxan.co.jp/en/csr/sdgs.html>

<Investment in Human Capital, Intellectual Property, etc.>

The aforementioned social working group plays a central role in ensuring diversity in terms of “promoting the active participation of women” and “appointing women, foreign nationals, and mid-career hires to managerial positions,” based on the theme of “promoting diversity.” In addition, the social working group also considers revisions to work styles relating to the COVID-19 and post-COVID-19 eras and the creation of conditions and systems targeted at raising children and caring for relatives, based on the theme of “balancing work-life management with productivity improvements.”

Principle 4-1: Roles and Responsibilities of the Board (1)

Supplementary Principle 4-1-1

The Company established Board of Directors Rules, clarifying matters for resolution by the Board. The Company also established Rules on Work Authority, clarifying the authority entrusted to and scope of duties of the management team.

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

In accordance with the Tokyo Stock Exchange standards on independence, the Company requires that there be no special interests with the Company with regard to the election of outside directors. In addition, to reinforce the functions of the Board of Directors, outside directors are required to have extensive experience and broad powers of judgment as corporate managers and the like.

Principle 4-10: Use of Optional Approach

Supplementary Principle 4-10-1

<Approach to the Independence of the Composition of the Nomination and Compensation Committee, as well as its Rights, Roles, etc.>

The Company has a Board of Auditors, and although outside directors do not make up a majority of members of the Board of Directors, it has established the Nomination and Compensation Committee as a discretionary body. Independent outside directors make up a majority of the members of the Nomination and Compensation Committee, and an independent outside director serves as chair of the Committee. With regard to the independence, objectivity, accountability, etc., of the functions of the Board of Directors concerned with the nomination and compensation of directors and delegation-based executive officers, as well as succession plans, the Board of Directors receives appropriate advice and involvement from the Nomination and Compensation Committee and respects the Committee’s reports. In this way, the independence, objectivity, and accountability of the functions of the Board of Directors are appropriately strengthened.

Principle 4-11 Preconditions for Ensuring the Effectiveness of the Board of Directors and Supervisory Board

Supplementary Principle 4-11-1

The Company emphasizes ensuring diversity on the Board of Directors as a whole with different specialized knowledge, experience, and so on with regard to nominating candidate directors so that the Board can demonstrate maximum effectiveness and efficiency.

The Company discloses a skill matrix for each director along with the career summaries of independent outside directors and other information on our website and in the Notice of the 53rd Ordinary General Meeting of Shareholders.

[https://www.taxan.co.jp/en/ir/management/management\\_03.html#page1](https://www.taxan.co.jp/en/ir/management/management_03.html#page1)

#### Supplementary Principle 4-11-2

The Company discloses the materials regarding the concurrent positions of directors and Supervisory Board members in its notice of convocation of the regular ordinary General Shareholders Meeting and securities reports.

Further, directors and Supervisory Board members spend the time and perform the work necessary to appropriately fulfill their roles and responsibilities.

#### Supplementary Principle 4-11-3

Every year, the Company analyzes and evaluates the effectiveness of the Board of Directors as a whole.

In terms of the method of analysis and evaluation, the Company administers self-assessment questionnaires to all officers (including outside officers) with questions related to the effectiveness of the Board of Directors (such as the composition, operation, and functions of the Board of Directors, the provision of information to outside officers, and governance systems). The results of the questionnaires are then analyzed and evaluated.

In the questionnaire conducted in March 2022, all officers replied that performance exceeded expected levels across all areas. As a result, the Company has judged that the effectiveness of the Board of Directors as a whole has been ensured.

#### Principle 4-14: Director and Supervisory Board Member Training

##### Supplementary Principle 4-14-2

The Company provides necessary opportunities and supports the cost of acquiring knowledge relating to the management, compliance, and so on necessary for directors and Supervisory Board members to fulfill their roles and perform their responsibilities.

#### Principle 5-1: Policy on Constructive Dialogue with Shareholders

##### ● Fundamental Approach

The Company undertakes measures to engage in dialogue and other interactions with shareholders and investors in order to achieve continuous growth and raise corporate value in the medium to long term.

##### (1) Investor relations structures

Under the leadership of the president, CFO and Investor Relations and Public Relations Office handle dialogues with shareholders and investors.

##### (2) Methods of dialogue

The Company holds financial briefings for mass media, analysts, and institutional investors twice annually (in May and November), as well as briefings on its business and strategy, and responds appropriately to requests for individual visits and for information. For our shareholders and individual investors, information on management policies, business details, results, videos of financial briefings for institutional investors, and other information are posted on the Company's website and the Company strives to enhance information disclosures. In addition, the Company participates in large-scale briefings for individual investors and responds appropriately to individual inquiries.

##### (3) Internal feedback

Feedback regarding the details of dialogues with shareholders and investors is provided by the officers responsible for management divisions and the Secretarial and Public Relations Office to the Board of Directors and other relevant divisions as necessary.

##### (4) Insider trading and quiet periods

The Company does not divulge insider information during dialogues with shareholders and investors. The Company has established Rules on Internal Information Management and Restriction of Insider Trading and strives to manage insider information. The periods from the last day of each quarterly financial period until the announcement of financial results for that period are designated quiet periods and dialogue and information disclosures are restricted during those periods.

## 2. Capital Structure

Foreign shareholding ratio	At least 20% and less than 30%
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### Status of Major Shareholders

Name	Number of Shares Held	Ratio (%)
The Master Trust Bank of Japan, Ltd.( Trust Account)	3,019,400	11.50
OKOZE CO., LTD	1,840,000	7.01
Custody Bank of Japan, Ltd.(Trust Account)	1,781,000	6.78
KAGA ELECTRONICS Employee Shareowners Association	1,505,812	5.73
SANKYO CO., Ltd.	1,299,500	4.95
The Bank of Mitsubishi UFJ, Ltd.	1,137,634	4.33
Mizuho Bank, Ltd.	950,334	3.62
Isao Tsukamoto	731,445	2.79
Mitsubishi Electric Corporation	500,300	1.90
Nippon Life Insurance Company	459,394	1.75

Existence of controlling shareholder (other than parent company)	—
Existence of parent company	None

### Supplementary Explanation

- 1) Numbers of shares held are as of September 30, 2022.
- 2) The Company holds 2,438,520 shares of treasury stock, but the Company is not included in the major shareholders listed above.
- 3) Shareholding ratios are calculated with treasury stock excluded.

## 3. Company Attributes

Listing stock market and market section	Prime Market
Fiscal year-end	March
Business type	Wholesale
Number of Employees (consolidated) as of the end of the previous fiscal year	1,000 or more
Sales (consolidated) as of the end of the previous fiscal year	100 billion yen to less than 1 trillion yen
Number of consolidated subsidiaries as of the end of the previous fiscal year	50 to less than 100

## 4. Policy on Measures to Protect Minority Shareholders when Conducting Transactions and the like with Controlling Shareholder

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**5. Other Special Circumstances which may have a Material Impact on Corporate Governance**

None.

## II. Management Decision-Making, Management Organizations for Execution and Supervision, and Status of other Corporate Governance Systems

### 1. Matters Relating to Organizational Structure, Operations, etc.

Organizational format	Company with an Audit & Supervisory Board
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#### Directors

Number of directors specified in Articles of Incorporation	20
Term of office of directors specified in Articles of Incorporation	2 years
Chairperson of the board	President
Number of directors	11
Appointment of outside directors	Outside directors are appointed
Number of outside directors	4
Number of outside directors designated as independent directors	4

#### Relationships with the Company (1)

Name	Affiliation	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Susumu Miyoshi	Formerly affiliated with another company									△			
Akira Tamura	Formerly affiliated with another company									△			
Noritomo Hashimoto	Formerly affiliated with another company									△			
Hirokazu Nishiyama	Formerly affiliated with another company									△			

\* Categories for Relationship with the Company

\* Marked with ○ if the director currently falls or has recently fallen under the category

Marked with △ if the director fell under the category in the past

\* Marked with ● if a close relative of the director currently falls or has recently fallen under the category

Marked with ▲ if a close relative of the director fell under the category in the past

a. Executive of the Company or subsidiary of the Company

b. Executive or non-executive director of the parent company of the Company

c. Executive of a fellow subsidiary of the Company

d. Person with the Company as a major client or supplier 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 other than compensation as an officer of the Company

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

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

i. Executive of a company with which the Company mutually appoints outside officers (the director himself/herself only)

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

k. Other



Relationships with the Company (2)

Name	Independent Officer	Supplementary Explanation of Applicable Items	Reasons for Appointment
Susumu Miyoshi	○	<p>The Company executed an advisory agreement with Susumu Miyoshi in August 2010, but the agreement was terminated when he was The Company requests that Mr. Miyoshi be elected as an outside director so that he can reinforce the functions of the Board of Directors by reflecting his extensive appointed director.</p>	<p>Mr. Miyoshi has a wealth of experience and a wide range of knowledge as a top management, and the Company requests that he be elected as an outside director in the expectation that he will reinforce the functions of the Board of Directors by providing supervision and advice on overall management based on this knowledge.</p> <p>Mr. Miyoshi was formerly an executive of a trading partner of the Company, but he has resigned from that position, and the Company has determined that there is no risk of affecting the determinations of shareholders and investors or conflicts of interests with general shareholders. Accordingly, he has been designated as an independent officer.</p>
Akira Tamura	○	<p>The Company executed an advisory agreement with Akira Tamura in July 2011, but the agreement was terminated when he was appointed director. The Company engages in purchase and sale transactions and other transactions with Sohgo Security Services Co., Ltd., of which Mr. Tamura was an executive until June 2011, but the amounts of the transactions account for a very small percentage of each company's sales (less than 0.01% in the fiscal year ended March 2022).</p>	<p>Mr. Tamura has a wealth of experience as a top management and a high level of knowledge cultivated in several companies, and the Company requests that he be elected as an outside director in the expectation that he will reinforce the functions of the Board of Directors by providing supervision and advice on overall management based on this knowledge, particularly on management strategy and business administration.</p> <p>Mr. Tamura was formerly an executive of a trading partner of the Company, but he has resigned from that position and the transaction amounts are very small(less than 0.01%), and the Company has determined that there is no risk of affecting the determinations of shareholders and investors or conflicts of interests with general shareholders. Accordingly, he has been designated as an independent officer.</p>

Name	Independent Officer	Supplementary Explanation of Applicable Items	Reasons for Appointment
Noritomo Hashimoto	○	<p>The Company executed an advisory agreement with Noritomo Hashimoto in July 2016, but the agreement was terminated when he was appointed director.</p> <p>The Company engages in purchase and sale transactions and other transactions with Mitsubishi Electric Corporation of which Mr. Hashimoto was an executive until June 2016, but the amounts of the transactions account for a very small percentage of each company's sales (less than 0.06% in the fiscal year ended March 2022).</p>	<p>Mr. Hashimoto has a wealth of experience and a high level of knowledge as a top management, and the Company requests that he be elected as an outside director in the expectation that he will reinforce the functions of the Board of Directors by providing supervision and advice on overall management based on this knowledge, particularly on management strategy and personnel affairs.</p> <p>Mr. Hashimoto was formerly an executive of a trading partner of the Company, but he has resigned from that position and the transaction amounts are very small (less than 0.06%), and the Company has determined that there is no risk of affecting the determinations of shareholders and investors or conflicts of interests with general shareholders. Accordingly, he has been designated as an independent officer.</p>
Hirokazu Nishiyama	○	<p>The Company executed an advisory agreement with Hirokazu Nishiyama in July 2019, but the agreement was terminated when he was appointed director.</p> <p>The Company engages in purchase and sale transactions and other transactions with Sharp Corporation of which Mr. Nishiyama was an executive until June 2019, but the amounts of the transactions account for a very small percentage of each company's sales (less than 0.3% in the fiscal year ended March 2022).</p>	<p>Mr. Nishiyama has a wealth of experience as a corporate manager and a high level of knowledge in various fields, and the Company requests that he be elected as an outside director in the expectation that he will reinforce the functions of the Board of Directors by providing supervision and advice on overall management based on this knowledge, particularly on the Group's business fields.</p> <p>Mr. Nishiyama was formerly an executive of a trading partner of the Company, but he has resigned from that position and the transaction amounts are very small (less than 0.3%), and the Company has determined that there is no risk of affecting the determinations of shareholders and investors or conflicts of interests with general shareholders. Accordingly, he has been designated as an independent officer.</p>

Existence of a discretionary committee corresponding to a nominating or remuneration committee	Yes
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Status of establishment of discretionary committees, composition of committee members, and attributes of the committee chairman (chairperson)

	Name of the committee	All committee members (persons)	Full-time committee members (persons)	Internal directors (persons)	outside director (persons)	External experts (persons)	Others (persons)	Committee chairman (chairperson)
Discretionary committee equivalent to the Nomination Committee	Nomination and Compensation Committee	7	3	3	4	0	0	outside director
Discretionary committee equivalent to the Compensation Committee	Nomination and Compensation Committee	7	3	3	4	0	0	outside director

#### Supplementary Explanation

##### Overview of the Nomination and Compensation Committee

###### •Purpose of establishment

The voluntary-based Nomination and Compensation Committee has been established for the purpose of strengthening the supervisory function of the Board of Directors and enhancing corporate governance systems by ensuring transparency and objectivity of evaluation and decision-making processes relating to nomination and compensation, etc., of directors, auditors, and delegation-based executive officers.

###### •Roles and Activities of the Nomination and Compensation Committee

In response to inquiries from the Board of Directors, the Committee deliberates and reports to the Board of Directors on matters related to the appointment and dismissal of directors, corporate auditors, and delegation-based executive officers, appointment and dismissal of directors with titles, compensation of directors, corporate auditors, and delegation-based executive officers, and other important management issues that the Board of Directors deems to be necessary.

From its establishment on June 29, 2021, until the date of submission of this report, the Nomination and Compensation Committee held six times, and all members attended all meetings. The Committee mainly deliberated regarding institution of a delegation-based executive officer system and its effect on succession plans and officer compensation levels and systems.

###### •Structure of the Nomination and Compensation Committee

The Committee shall comprise three (3) or more directors appointed by the Board of Directors, a majority of whom shall be independent outside directors. The Committee's chairperson shall be appointed from among the Committee members who are independent outside directors.

The current composition of the Committee is as follows.

Isao Tsukamoto, Representative Director, Founder & CEO / Ryoichi Kado, Representative Director, President & COO / Eiji Kawamura, Director, Managing Executive Officer / Noritomo Hashimoto, Outside Director (Chair) / Susumu Miyoshi, Outside Director / Akira Tamura, Outside Director / Hirokazu Nishiyama, Outside Director

### Supervisory Board Members

Whether the company has a Supervisory Board	Established
Number of Supervisory Board members specified in Articles of Incorporation	4
Number of Supervisory Board members	4

Status of cooperation among Supervisory Board members, accounting auditors, and internal audit department  
 The Company has entered into an audit agreement with PricewaterhouseCoopers ARATA LLC and undergoes statutory audits. The accounting auditors regularly propose audit plans and report the results of year-end accounting audits and quarterly reviews to the Supervisory Board members, and exchange with them opinions on important considerations. In addition, the accounting auditors and Supervisory Board members exchange information and opinions on any other matter as and when needed to ensure mutual cooperation.  
 The Company established an Audit Office as an internal audit organization. The Audit Office conducts internal audits in cooperation with Supervisory Board members. Specifically, the Supervisory Board members and the Audit Office conduct prior consultations regarding audit plans, and the Audit Office provides periodic reports on the audit results to the Supervisory Board members. The Supervisory Board requests reports from the Audit Office and engages in other collaboration as necessary.

Appointment of outside Supervisory Board members	Outside Supervisory Board members are appointed
Number of outside Supervisory Board members	2
Number of outside Supervisory Board members designated as independent Supervisory Board members	2

### Relationships with the Company (1)

Name	Affiliation	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Susumu Kitsunai	Certified public accountant													
Yoichi Sato	Attorney													

\* Categories for Relationship with the Company

\* Marked with ○ if the Supervisory Board member currently falls or has recently fallen under the category, marked with △ if the member fell under the category in the past

\* Marked with ● if a close relative of the Supervisory Board member currently falls or has recently fallen under the category, marked with ▲ if a close relative of the Supervisory Board member fell under the category in the past

- Executive of the Company or subsidiary of the Company
- Non-executive director or accounting counselor of the Company or subsidiary of the Company
- Executive or non-executive director of the parent company of the Company
- Supervisory Board member of the parent company of the Company
- Executive of a fellow subsidiary of the Company
- Person with the Company as a major client or supplier or an executive thereof
- Major client or supplier of the Company or an executive thereof
- Consultant, accountant, or legal professional who receives a large amount of monetary consideration or other property from the Company other than compensation as an officer of the Company
- Major shareholder of the Company (or an executive of a major shareholder if the shareholder is a legal entity)
- Executive of a client or supplier of the Company (which does not correspond to any of f, g, or h) (the Supervisory Board member himself/herself only)
- Executive of a company with which the Company mutually appoints outside officers (the Supervisory Board member himself/herself only)
- Executive of a company or organization that receives donations from the Company (the Supervisory Board member himself/herself only)
- Other

Relationships with the Company (2)

Name	Independent Officer	Supplementary Explanation of Applicable Items	Reasons for Appointment
Susumu Kitsunai	○	—	<p>Mr. Kitsunai has extensive knowledge of and experience in corporate management, and as a certified public accountant, finance and accounting and is expected to provide advice from multifaceted perspectives based on his viewpoint as a professional. The Company believes he can appropriately perform audits and supervision of the Company and appointed Mr. Kitsunai as an outside Supervisory Board member.</p> <p>In addition, the Company has determined that Mr. Kitsunai can serve as a significant curb on decision-making with regard to the fairness and transparency of tax related management policies from his perspective as a certified public accountant and can maintain objectivity and neutrality in management monitoring functions based on his extensive experience and knowledge as a professional, and accordingly, nominated him as an independent director.</p> <p>Mr. Kitsunai does not have any special interests in the Company, and the Company has determined that there is no risk of conflicts of interest with general shareholders.</p>
Yoichi Sato	○	—	<p>Mr. Sato has many years of advanced legal experience as a judge and attorney, and considering his knowledge and experience as a professional, the Company believes he can appropriately perform audits and supervision of the Company and appointed him as an outside Supervisory Board member.</p> <p>In addition, the Company has determined that Mr. Sato can serve as a significant curb on decision-making with regard to the fairness and transparency of compliance, legal risks, and management policies from his perspective as a legal professional and can maintain objectivity and neutrality in management monitoring functions based on his extensive experience and knowledge as a professional, and accordingly, nominated him as an independent director.</p> <p>Mr. Sato also serves as an attorney (of counsel) at Alpha Partners Law Offices. Although the company has entered into a legal advisory contract with Alpha Partners Law Offices, because Mr. Sato is not a partner attorney of the law firm and is not involved in the management of the law firm, the company deems that he does not have any special interest in the company and that there is no risk of a conflict of interest with general shareholders.</p>

## Independent Officers

Number of independent officers	6
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Other matters relating to independent officers

All outside officers that meet the qualifications for independent officer have been designated as independent officers.

## Incentives

Implementation status of policies relating to granting directors incentives	Introduction of performance-linked remuneration program and other matters
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Supplementary explanation of this matter

Remuneration of the directors of the Company (excluding outside directors) comprises fixed remuneration, which is paid at a fixed amount, performance-linked remuneration and stock-based remuneration. For details, please refer to "II. Management Decision-Making, Management Organizations for Execution and Supervision, and Status of other Corporate Governance Systems, Director Remuneration, Policy on determining remuneration amounts or the method of calculating those amounts."

Recipients of stock options	
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Supplementary explanation of this matter

## Director Remuneration

Disclosure of the remuneration of individual directors	Some items are disclosed individually
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Supplementary explanation of this matter

The Annual Securities Report for the Year Ended March 31, 2022 indicates the following amounts of remuneration paid to directors. In accordance with laws and regulations, amounts are disclosed for some directors individually in the report.

Total amounts of remuneration, etc.

Seven (7) directors : Amount paid 690 million yen  
(210 million yen as fixed remuneration, 448 million yen as performance-linked remuneration,  
38 million yen as restricted stock compensation)

Three (3) outside directors : Amount paid 30 million yen

Total remuneration, etc. paid to persons who received 100 million yen or more in remuneration, etc.

Isao Tsukamoto: 212 million yen paid

Ryoichi Kado: 144 million yen paid

Existence of a policy on determining remuneration amounts or the method of calculating those amounts	The Company has such as policy
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Details of the disclosure of the policy on determining remuneration amounts or the method of calculating those amounts

•Basic policy

The Company's basic policy is to set the remuneration of directors at an appropriate level based on their respective responsibilities in determining the remuneration of individual directors as a remuneration system that is linked to shareholders' profits so that it can fully function as an incentive to secure and retain excellent human resources who will implement the realization of the Company's management philosophy and continuously improve corporate value. Specifically, remuneration for executive directors consists of fixed remuneration, which is paid at a fixed amount, performance-linked remuneration and stock-based remuneration, while remuneration for outside directors, who are responsible for supervisory functions, consists of fixed remuneration only in consideration of their responsibilities.

Furthermore, the content of remuneration for directors is designed to be reasonable, objective and transparent in terms of both the content of remuneration and decision-making procedures.

•Policy regarding the determination of the amount of remuneration, etc. for each individual in fixed remuneration

The fixed remuneration for directors of the Company shall be fixed monthly remuneration in cash, which shall be determined in accordance with the position and responsibilities, etc., while taking into consideration the levels of other companies, the business performance of the Company, and the level of employee salaries, and reviewing the remuneration as appropriate in a comprehensive manner.

•Policy for determining the details of performance-linked remuneration, etc. and non-monetary remuneration, etc. and the method for calculating the amount or number of such remuneration

Performance-linked remuneration, etc. is monetary remuneration reflecting performance indicators in order to raise awareness of the need to improve performance for each fiscal year, and an amount calculated in accordance with the degree of achievement of the target values for operating income, ordinary income and net income attributable to owners of parent for each fiscal year is paid as a bonus at a specified time. The target performance indicators and their values are based on the profit-oriented management set forth in the Medium Term Management Plan, and will be reviewed in accordance with changes in the business environment, respecting the report of the Nomination and Compensation Committee. The amount of performance-linked remuneration is based on the consolidated business results.

Non-monetary remuneration, etc. is granted at a set time after the end of the fiscal year as restricted stock compensation with a transfer restriction period of up to 20 years, which is designed to provide incentives for the sustainable enhancement of the Company's corporate value and to promote further value-sharing with shareholders through the holding of the Company's shares. The number of shares to be granted is determined in consideration of the position, responsibilities, stock price, etc., and with respect to the report of the Nomination and Compensation Committee.

•Policy on determination of the ratio of the amount of monetary remuneration, the amount of performance-linked remuneration, etc., or the amount of non-monetary remuneration, etc., to the amount of individual remuneration, etc., of directors

The ratio of type of remuneration for directors (excluding outside directors) is determined based on the report of the Nomination and Compensation Committee, taking into consideration the position, responsibilities, and trends in the remuneration levels of other companies with similar business scale as the Company.

•Matters related to the decision policy concerning the details of remuneration, etc. for individual directors

Based on the delegated resolution of the Board of Directors, Representative Director, Founder & CEO and Representative Director, President & COO are delegated the authority to determine the amount of fixed remuneration for each director, the allocation of performance-linked remuneration (bonuses, etc.) based on the performance of the business for which each director is in charge, and the number of shares to be allotted to each individual in the form of restricted stock compensation.

The Board of Directors consults the Nomination and Compensation Committee on the draft and obtains its report to ensure that such authority is properly exercised by the Founder & CEO and President & COO, and the Founder

& CEO and President & COO, who have received the above delegation, make decisions with respect to the content of this report.

•Matters concerning the method of decision when the decision on the details of remuneration, etc. is delegated to a director or other third party

The Representative Director, Founder & CEO and Representative Director, President & COO determine the specific details of the amount of remuneration, etc. and the number of shares to be allotted to each individual based on the delegated resolution of the Board of Directors. The Board of Directors shall take measures to make decisions after consultation and reporting by the Nomination and Compensation Committee to ensure that such authority is properly exercised by the Founder & CEO and President & COO.

The Founder & CEO and President & COO determine the details of individual remuneration for each director by fully respecting the advice and report of the Nomination and Compensation Committee, while taking into consideration the Company's overall performance, stock price, the role of each director, the impact of each director on the Company's performance and other circumstances.

•Matters related to the resolution of the General Meeting of Shareholders regarding the remuneration of directors and Supervisory Board members

The maximum amount of remuneration for directors was resolved at the 54th General Meeting of Shareholders held on June 29, 2022 to be no more than 1,000 million yen per year (of this amount, up to 100 million yen is for outside directors; salaries for services as employees are not included). The number of directors as of the close of this General Meeting of Shareholders was 11 (including four outside directors).

In addition, at the 50th Ordinary General Meeting of Shareholders held on June 28, 2018, it was resolved that the annual amount of monetary remuneration claims to be paid to directors (excluding outside directors) for the granting of restricted stock shall be 100 million yen or less, separately from the above maximum amount of remuneration. The number of directors (excluding outside directors) as of the close of this General Meeting of Shareholders was eight.

At the 27th Ordinary General Meeting of Shareholders held on June 29, 1995, it was resolved that the maximum amount of remuneration to be paid to Supervisory Board members shall be 60 million yen per year. The number of Supervisory Board members as of the close of this General Meeting of Shareholders was four. The remuneration for Supervisory Board members is determined through discussions among the Supervisory Board members.

Support system for outside Directors (outside Supervisory Board members)

The Company established the Board of Directors Administrative Office to the Board of Directors to appropriately convey information by distributing materials relating to Board meeting agenda items to all directors, including outside officers prior to Board meetings, and providing supplementary explanations to outside officers as necessary. The Office also prepares a schedule for ordinary meetings of the Board of Directors for the following fiscal year by the end of each fiscal year and informs all directors including outside officers.

Status of Resignation by President & COO and Other Positions

Names and Other Information of Consultants and Advisors who were Formerly President & COO or in other Positions

Name	Title or Rank	Details of Duties	Work Format and Conditions (Full-time, part-time, for compensation or gratis, etc.)	Date of Resignation by President and Other Positions	Term in Office
Tomohisa Tsukamoto	Advisor	Operational support for the overall business of the Group	Part-time With compensation	2014/4/1	One year

Total Number of Consultants and Advisors who were Formerly President & COO or in other Positions:	1
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Other matters

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## **2. Matters relating to functions such as business execution, audits and supervision, nomination, and remuneration decisions (overview of current corporate governance systems)**

### (1) Board of Directors

The Board of Directors comprises 11 directors in total including four outside directors. In principle, the Board meets once each month and holds extraordinary meetings when necessary.

Board makes deliberates and decisions on matters specified in laws and regulations, the Articles of Incorporation, and other internal rules, reports on the status of the execution of business and other necessary information, and supervises the execution of duties by directors. Supervisory Board members attend Board of Directors meetings and actively express their opinions.

### (2) Supervisory Board

The Supervisory Board comprises four members including two outside Supervisory Board members. In principle, the Supervisory Board meets once each month and holds extraordinary meetings when necessary.

### (3) The Group Management Headquarters Meeting

The Company has established the Group Management Headquarters Meeting, which is convened by the Representative Director, President & COO as a body to deliberate and decide on important executive policies related to Group management. In principle, the Conference meets once each week. Also, advice is requested from the Representative Director, Founder & CEO, as necessary.

### (4) Management Meeting

The Company established a Management Meeting, which is convened by the Representative Director, President & COO to coordinate Group management, confirm policies, and so on. In principle, the Council meets once each month.

### (5) Nomination and Compensation Committee

Please refer to Section II: Management Decision-Making, Management Organizations for Execution and Supervision, and Status of other Corporate Governance Systems, Directors, Existence of a discretionary committee corresponding to a nominating or remuneration committee, and the Supplementary Explanation in this report.

### (6) CSR Promotion Committee

The CSR Promotion Committee is chaired by the Representative Director, President & COO, and the Company has established the Information Disclosure Committee, Risk Management Committee, Compliance Committee, and Personal Information Management Committee as bodies reporting to the CSR Promotion Committee. The Committee works to decide on and optimize operations across the Group as a whole.

### (7) SDGs Committee

The SDGs Committee is chaired by the Representative Director, President & COO and its members consist of the officers overseeing each division, etc. The Company has created working groups based on the themes of "Environment," "Society," and "Governance," each reporting directly to the SDGs Committee. The activities of the working groups include formulating policies and measures related to ESG issues, setting goals, and monitoring the status of progress

### (8) Audit Office

The Audit Office is under the direct authority of the Representative Director, President & COO. It works in collaboration with the Administration Headquarters, etc. to audit the validity and use of management resources, as well as the status of compliance with laws, regulations, and internal rules, in relation to all business activities, including those at Group companies. The Company is also conducting evaluations of our internal control systems in response to the enforcement of the Financial Instruments and Exchange Act.

(9) Execution of business

The allocation of duties to directors and executive officers are determined by decisions of the Board of Directors, and each carries out their duties.

(10) Audit and supervision of directors by Supervisory Board members

The Company established and implements Supervisory Board Member Audit Standards.

(11) Status of audits

Audits in the Company are planned and carried out by the four Supervisory Board members. The Company also undergoes audits by PricewaterhouseCoopers Aarata LLC.

(12) Nomination and Compensation Decisions

Concerning nomination, please refer to Section I: Basic approach to corporate governance, capital structure, corporate attributes, and other basic Information, Disclosure Pursuant to the Principles of the Corporate Governance Code, Principle 3-1: Enhancement of Information Disclosures of this report.

Concerning compensation decisions, please refer to Section II: Management Decision-Making, Management Organizations for Execution and Supervision, and Status of other Corporate Governance Systems, Director Remuneration of this report.

(13) Limited Liability Agreements

The Company has entered into contracts with directors (excluding executive directors, etc.) and outside corporate auditors based on the provisions of the Companies Act, Article 427, Paragraph 1 to limit their liability for damages under Article 423, Paragraph 1 of the said Act. The maximum amount of liability for damages based on this agreement shall be the amount stipulated in laws and regulations. Furthermore, this limitation of liability shall only be recognized when the execution of duties that was the cause of the liability of the director or outside corporate auditor was performed in good faith and without gross negligence.

### **3. Reasons for the selection of the current corporate governance system**

With regard to systems for supervising directors, auditing the status of the execution of duties by directors, and so on, the Company believes that the Board of Director functions are reinforced by reflecting in the Company's management the opinions of the four outside directors presented from an independent perspective. In addition, the Supervisory Board members are expressly required by internal rules to participate in Board of Directors meetings regularly meet with the accounting auditors, and engage in other activities, and a system of supervision, auditing, and curbs relating to management is established by the four Supervisory Board members. Management supervisory functions are performed from a third-party perspective through the appointment of two outside Supervisory Board members, and the Company believes that the governance systems are functioning properly.

### III. Implementation Status of Policies Relating to Shareholders and Other Stakeholders

#### 1. Status of initiatives to make general shareholders meetings more active and facilitate the exercise of voting rights

	Supplementary Explanation
Electronic exercising of voting rights	The Company introduced electronic exercising of voting rights to create an environment that facilitates the exercise of voting rights by shareholders in order to reflect the intentions of a greater number of shareholders.
Participation in an electronic voting platform and other measures to enhance the voting environment for institutional investors	The Company participates in an electronic voting platform to create an environment that facilitates the exercise of voting rights by domestic and overseas institutional shareholders in order to reflect the intentions of a greater number of shareholders.
Provision of notifications of convocation (summaries) in English	The Company prepares notifications of convocation (summaries) in English and posts them on the Company's website.
Other	The Company strives to create convocation notices that are easy for shareholders to read and understand by using graphs and photographs, colorization, UD fonts, and web-based versions of some convocation notices that are compatible with PCs and smartphones.

#### 2. Status of investor relations activities

	Supplementary Explanation	Existence of explanations by a representative
Preparation and publication of disclosure policy	The Company's disclosure policy is posted on its website. Disclosure policy: The Company conducts investor relations activities to provide timely and appropriate information to shareholders and investors. When disclosing information, the Company releases material facts in compliance with the timely disclosure rules of the Tokyo Stock Exchange and promptly posts the relevant information on its website. In addition, the Company, at its discretion, also distributes materials and posts information that it believes to be valid on its website in a timely manner to increase understanding of Kaga Electronics.	-
Periodic briefings for individual shareholders	The Company holds "briefing meetings for individual investors" which are conducted by the executive officer in charge of investor relations. In the fiscal year ended March 2021, one such meeting was organized, as follows:  February 22, 2022 (held in Tokyo) * The proceedings of the meeting may be viewed from the site below (Daiwa Investor Relations Co., Ltd.) with a link posted on the Company's IR site (Japanese only). <a href="http://www1.daiwair.jp/qlviewer/e-cast/2202228154idzg4pya/index.html">http://www1.daiwair.jp/qlviewer/e-cast/2202228154idzg4pya/index.html</a>	None

	<p>Additionally, the head of Investor Relations and Public Relations Office visits branch offices of securities companies to give individual investors presentation on such themes as the Company's profile and its growth strategy.</p> <p>In the fiscal year ended March 2022, however, the Company refrained from such activities due to the outbreak of the coronavirus.</p>	
Regular briefings for analysts and institutional investors	<p>The Company holds "analyst and institutional investor financial briefings", which are organized subsequent to the announcement of interim and year-end financial results, where financial results and management strategy are presented by Representative Director, President &amp; COO and by the executive officer in charge of investor relations.</p> <p>Additionally, IR briefing sessions are also organized as appropriate for individual business projects. The presenter is, in principle, President &amp; COO.</p> <p>In the fiscal year ended March 2022, the following sessions are organized.</p> <p>&lt;Earning Presentations&gt;  May 27, 2021: Earnings presentation for the fiscal year ended March 2021  November 25, 2021: Earnings presentation for the first half of the fiscal year ended March 2022</p> <p>&lt;Business strategy presentations&gt;  April 6, 2021: About Kaga Electronics' EMS Business  March 30, 2022: EMS business strategy presentation and virtual factory tour</p> <p>*The proceedings of the financial results briefings may be viewed by video streaming through the Company's IR site, along with presentation materials and "Main Q&amp;A" notes. In addition, presentation materials for past business briefings are posted on the Company's IR website.</p> <p>Earnings presentations :  <a href="https://www.taxan.co.jp/en/ir/event/event_01.html">https://www.taxan.co.jp/en/ir/event/event_01.html</a>  Business strategy presentations :  <a href="https://www.taxan.co.jp/en/ir/event/event_04.html">https://www.taxan.co.jp/en/ir/event/event_04.html</a></p>	Yes
Periodic briefings to overseas investors	<p>For investors in Europe and North America, the Representative Director, President &amp; COO visit shareholders and investors to engage in constructive dialogue to enhance corporate value. However, in FY2021, due to the global outbreak of the coronavirus, it became virtually impossible to travel overseas, so we refrained from activities and used web conferences and other means instead.</p> <p>For Asia, the head of Investor Relations &amp; Public Relations Office engages in dialogues with the diverse range of institutional investors on such subjects as the Company's management policy, financial results and</p>	Yes

	<p>growth strategy. However, in FY2020, as in the U.S. and Europe, we responded through web conferencing and teleconferencing as needed.</p> <p>For the convenience of overseas investors, English language versions of integrated reports, earnings releases, as well as presentation materials and "Main Q&amp;A" notes used in financial results briefings held in Japan are posted on the Company's IR site.</p>	
Posting of investor relation materials on the Company website	<p>Aside from annual financial reporting, the Company started publishing Integrated Report from the fiscal year ended March 2019 which marks its 50th anniversary, with the aim of communicating not only financial but also non-financial information of value to the investors. Through integrated reporting, the Company seeks to provide extensive IR resources and information by including messages from the top management on corporate philosophy, business strategy aimed at sustainable growth, overseas expansion as a global firm, as well as ESG information relating to corporate governance and sustainability initiatives, etc.</p> <p>* Integrated Report:  <a href="https://www.taxan.co.jp/en/ir/ir_library/library_05.html">https://www.taxan.co.jp/en/ir/ir_library/library_05.html</a>  In addition to integrated reports, various other materials are posted on the Company's IR site including earnings releases, earnings presentation materials, annual reports and Group reports (business reports).</p> <p>* IR Library: <a href="https://www.taxan.co.jp/en/ir/ir_library/">https://www.taxan.co.jp/en/ir/ir_library/</a></p>	
Establishment of a department (or appointment of a manager) for investor relations	<p>Aiming to strengthen strategic IR communication, we established a dedicated organization directly report to the Representative Director, President &amp; COO since April 2018.</p> <p>Department in charge: Investor Relations &amp; Public Relations Office (4 people)  Responsible person: Ichiro Shirai, General Manager, Investor Relations &amp; Public Relations Office</p>	

### 3. Status of initiatives for respecting the perspectives of stakeholders

	Supplementary Explanation
Provisions relating to respecting the position of stakeholders pursuant to internal regulations, etc.	<p>The Company respects the perspectives of stakeholders and, in order to build good relationships, has adopted the following as a fundamental policy: "Become a company that pleases shareholders, business partners, employees, and other stakeholders and contribute to society." The Company has also established the following rules: Rules on Internal Information Management and Restriction of Insider Trading, Environmental Impact and Assessment Rules, Environment Management Manual.</p>
Implementation of environmental conservation activities and CSR activities, etc.	<p>(1) Environmental preservation activities  The Company is cognizant that initiatives to address environment problems are an important aspect of corporate activities, and based on the following policy regarding environmental initiatives, has established a company-wide environment management system and undertakes measures to protect the global environment, prevent pollution, and so on in all its business activities. The Company has also established an</p>

	<p>Environmental Promotion Committee to carry out environmental programs and engages in company-wide measures such as green procurement and the sorting of waste materials.</p> <p>Environmental policy: The Kaga Electronics Group always considers the future of electronics, strives to meet the needs of customers, protects the irreplaceable earth, and works toward better protection and improvement of the natural environment.</p> <p>(2) CSR measures etc.</p> <p>In light of the current importance of the corporate social responsibility, the Company established a CSR Promotion Committee and is creating a risk management system. The Company also established an Information Disclosure Committee, Risk Management Committee, Compliance Committee, and Personal Information Management Committee as subordinate organizations of the CSR Promotion Committee, and each undertakes active measures. Additionally, in view of the importance of corporate governance, the Company has taken steps to strengthen related systems by establishing the SDGs Committee on April 1, 2021, and the Nomination and Compensation Committee on June 29, 2021. Furthermore, in order to strengthen unity within the Group with regard to SDGs initiatives and promote sustainability management, on April 1, 2022, the Company established the SDGs Promotion Office, under the direct authority of the Representative Director, President &amp; COO.</p>
<p>Formulation of policies, etc., relating to the provision of information to stakeholders</p>	<p>With timely disclosure as its fundamental policy on the provision of information to stakeholders and others, the Company provides timely information to the Tokyo Stock Exchange, holds press conferences, and issues news releases. Information Disclosure Committee, a subordinate organization of the CSR Promotion Committee, serves as the administrative body for the release of information and confirms information disclosure matters on a continuous basis.</p>

## **IV. Matters relating to Internal Control Systems, etc.**

### **1. Basic approach to internal control systems and status of establishment**

1. With regard to the establishment of system to ensure the execution of duties by directors of the Company and Group Companies in accordance with laws and regulations and the Articles of Incorporation, the Company and its Group are aware that enhancing corporate governance is an important management issue and our fundamental policy is ensuring compliance with corporate ethics and laws and regulations and reinforcing internal control systems while maintaining the soundness, efficiency, and transparency of management and raising corporate value. To achieve such compliance, the Company has established Rules on Officers applicable to directors and the Board of Directors Rules applicable to the Board of Directors. To ensure appropriate management, the directors monitor each other's status of execution of duties at regularly-held Board of Directors meetings and at extraordinary meetings held on a dynamic basis as necessary. The Company has also established Organization Rules, Rules on the Allocation of Work Duties, Rules on Work Authority, and Rules on Internal Approval, clarifying the scope of authority of each director and ensuring that mutual supervision by directors is effective.

In addition, the Company established an Audit Office under the direct authority of the Representative Director, President & COO. The Audit Office works in collaboration with the Administration Headquarters, etc, to monitor the status of compliance with laws and regulations, the Articles of Incorporation, and other internal rules.

The Company also has a Supervisory Board, and the Supervisory Board members including outside members conduct detailed audits regarding the execution of duties by the directors.

The Company also established a CSR Promotion Committee (Corporate Social Responsibility Promotion Committee) chaired by the President & COO and established Information Disclosure Committee, Risk Management Committee, and Compliance Committee and Personal Information Management Committee as subordinate organizations. These organizations work to normalize decision-making and the execution of business operations throughout the Group.

2. The systems for the preservation and control of information relating to the execution of duties by directors Information relating to the execution of duties by directors is appropriately and accurately controlled and preserved according to the qualities of the recording media in accordance with the Document Control Rules, which set forth the standards on the preparation and retention of documents, and the Document Control in Handling Manual, which sets forth detailed provisions on document retention procedures and periods.

3. Rules and other systems relating to control of the risk of loss

Potential risks that the Group faces include matters relating to economic conditions, exchange rates, country risks, price competition, product procurement capabilities, internal brand risks, legal regulation, market risks, major litigation, severance pay obligations, personal information, accidents, the environment, and information management. Responding divisions have been set for each risk and necessary and appropriate systems have been established to control risks under the authority of risk control officers and managers in each division.

If any of the risks mentioned above should occur, the corresponding responding divisions will immediately take necessary and appropriate responsive measures to minimize the occurrence of damage under the direction of the risk control officers and managers.

In addition, with the establishment of the Risk Management Committee as a subordinate organization to the CSR Promotion Committee, the Company established a system to respond promptly and appropriately to risks foreseen by the Group.

4. Systems for ensuring the efficient execution of duties by the directors of the Company and Group companies

The foundations of systems for ensuring the efficient execution of duties by the directors of the Company and Group companies are periodic meetings of the Board of Directors and extraordinary meetings of the Board held when necessary. Meetings of the Management Meeting are held prior to meetings of the Board of Directors with regard to important matters that are within the scope of duties of the directors to conduct prior deliberations so that the Board can engage in enhanced deliberations and make prompt decisions.

The Company also introduced delegation-based and employment-based executive officer systems to separate management decision-making and supervisory functions from business execution functions and to clarify each role, and has established structures that enable timely responses while enhancing the functions of Board of Directors and business execution functions. In addition, having an appropriate number of directors allows for adequate deliberation and appropriate and timely decision-making.

With regard to specific execution of duties, the Board of Directors sets company-wide targets, formulates medium-term management plans to achieve those targets, and establishes necessary and appropriate systems for the execution of duties so that each executive officer responsible for business divisions can carry out those plans.

In addition, The Company has also established Organization Rules, Rules on the Allocation of Work Duties, Rules on Work Authority, and Rules on Management of Affiliated Companies regarding the allocation of work duties, authority, and so on to the directors of the Company and Group companies. These rules provide for the efficient execution of work duties.

#### 5. Systems for ensuring compliance by Company and Group Company employees with laws and regulations and the Articles of Incorporation in the performance of their duties

The Basic Compliance Rules were established as a code of conduct to ensure compliance with laws and regulations and the Articles of Incorporation by employees of the Company and Group companies when executing their duties. To ensure the effectiveness of these rules, the Company also established the Compliance Committee as a subordinate organization of the CSR Promotion Committee, establishing a system that can make appropriate group-wide responses.

In addition, the Company established an Audit Office under the direct authority of the Representative Director, President & COO. The Audit Office works in collaboration with the Administration Headquarters, etc , to monitor the status of compliance with laws and regulations, the Articles of Incorporation, and other internal rules.

The Company has also established an internal reporting (whistleblowing) system that allows employees to directly and anonymously report conduct by the Company or Group companies in violation of laws and regulations or the Articles of Incorporation to the Representative Director, Founder & CEO, Representative Director, President & COO , Supervisory Board members, the CSR Promotion Committee, or the Sexual Harassment Investigation and Countermeasures Committee.

#### 6. System to ensure the appropriateness of business operations by the corporate group comprising the Company and its affiliated companies

The Company established the Rules on Management of Affiliated Companies to ensure appropriate business operations by affiliated companies and conducts control in accordance with those rules. Also, coordination among Group companies and key decisions require deliberation and decisions by the Company's The Group Management Headquarters Meeting and Board of Directors.

In addition, the Company's Audit Office works in collaboration with the Administration Headquarters, etc, to achieve overall uniformity in Group business activities, conducts audits regarding the appropriateness of those business activities and compliance with laws and regulations and the Articles of Incorporation and so on, and indicates improvements to be made in business activities.

Furthermore, Group companies submit all minutes of their Board of Directors meeting to the Company and make monthly reports on business activities, status of budget implementation, and important matters relating to ensuring the appropriateness of business activities.

#### 7. Matters relating to employees supporting the work of Supervisory Board members

The Company's Rules on the Allocation of Work Duties include provisions relating to employees who assist Supervisory Board members in the performance of their duties. Supervisory Board members cause employees, to support them in the performance of audit operations, focusing on work in the Audit Office, as necessary.



8. Matters relating to the independence from the directors of employees supporting the work of Supervisory Board members and matters relating to ensuring the effectiveness of indications by Supervisory Board members to employees

The Company's Rules on the Allocation of Work Duties provide that in cases where an employee is affiliated with the Audit Office and other departments that assist Supervisory Board members in the performance of their duties, only Supervisory Board members have the authority to issue instructions and orders relating to that work. In cases of transfer, evaluation, and disciplinary disposition of such employees, the consent of the Supervisory Board is required.

9. Systems for directors and employees of the Company and Group companies to report to Supervisory Board members and other systems for reporting to Supervisory Board members

If a Company director discovers facts that present a risk of causing substantial damage to the Company, such a director must immediately report those facts to the Supervisory Board pursuant to the Rules on Corporate Officers, and the Company has established systems for timely and accurate reporting to the Supervisory Board. If an employee of the Company, director or employee of a Group company discovers facts in violation of laws and regulations or the Articles of Incorporation or discovers facts that present a risk of causing substantial damage to the Company or the respective Group company, such director or employee must immediately report to the Supervisory Board in accordance with the Rules on Work Authority, and the Company has established systems that enable employees to make reports directly to the Supervisory Board.

10. Systems for ensuring that the persons who make reports to the Supervisory Board are not subject to disadvantageous treatment as a result of making such reports

Reports made via the internal whistleblowing system can be made anonymously and through the use of a post office box. Since reporting individuals cannot be identified, there is a system in place to prevent disadvantageous treatment of persons making reports.

11. Matters relating to procedures for advance payment or reimbursement of expenses arising in the course of Supervisory Board members performing their duties and policies regarding handling of expenses or obligations arising in the course of Supervisory Board members performing their duties

When requests are made by Supervisory Board members for advance payment of expenses or for reimbursement of expenses paid or obligations incurred, except in cases where it can be established that those expenses and so on did not arise in the course of Supervisory Board members performing their duties, the Company shall comply with such requests.

12. Other systems for ensuring effective implementation of audits by Supervisory Board members

The Company's Supervisory Board members are required to attend Board of Directors meetings and other important internal meetings and must express their opinions as necessary. Also, the Company established a Supervisory Board and operates that board appropriately in accordance with the Supervisory Board Rules. The Company also established Supervisory Board Member Audit Standards setting forth the optimal audit structure for each board member, audit standards, and conduct policies for Supervisory Board members, ensuring the effectiveness of audits conducted by Supervisory Board members.

## **2. Basic approach to the elimination of antisocial forces and status of development**

Responses for the elimination of antisocial forces

The Company's basic approach is not to maintain any relationships whatsoever with antisocial forces that threaten social order and safety and to maintain a resolute attitude regarding the refusal of all improper demands from antisocial forces as set forth in its Fundamental Compliance Rules and Employment Rules. In cases where the Company receives improper demands from antisocial forces, the General Affairs Department and CSR Promotion Committee collaborate and cooperate with crisis management advisors and attorneys to make an organizational response as necessary. The Company also holds regular discussions with attorneys, meets with police departments and other external specialized organizations, and participates in training and other activities in an effort to gather information.

## V. Other

### 1. Existence of takeover defense measures

Existence of takeover defense measures	None
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Supplementary explanation relating to this matter

### 2. Other matters relating to corporate governance systems, etc.

#### 1. Corporate governance systems

To enhance its corporate governance, the Company strives to create more appropriate systems including responses to amendments of applicable laws and regulations.

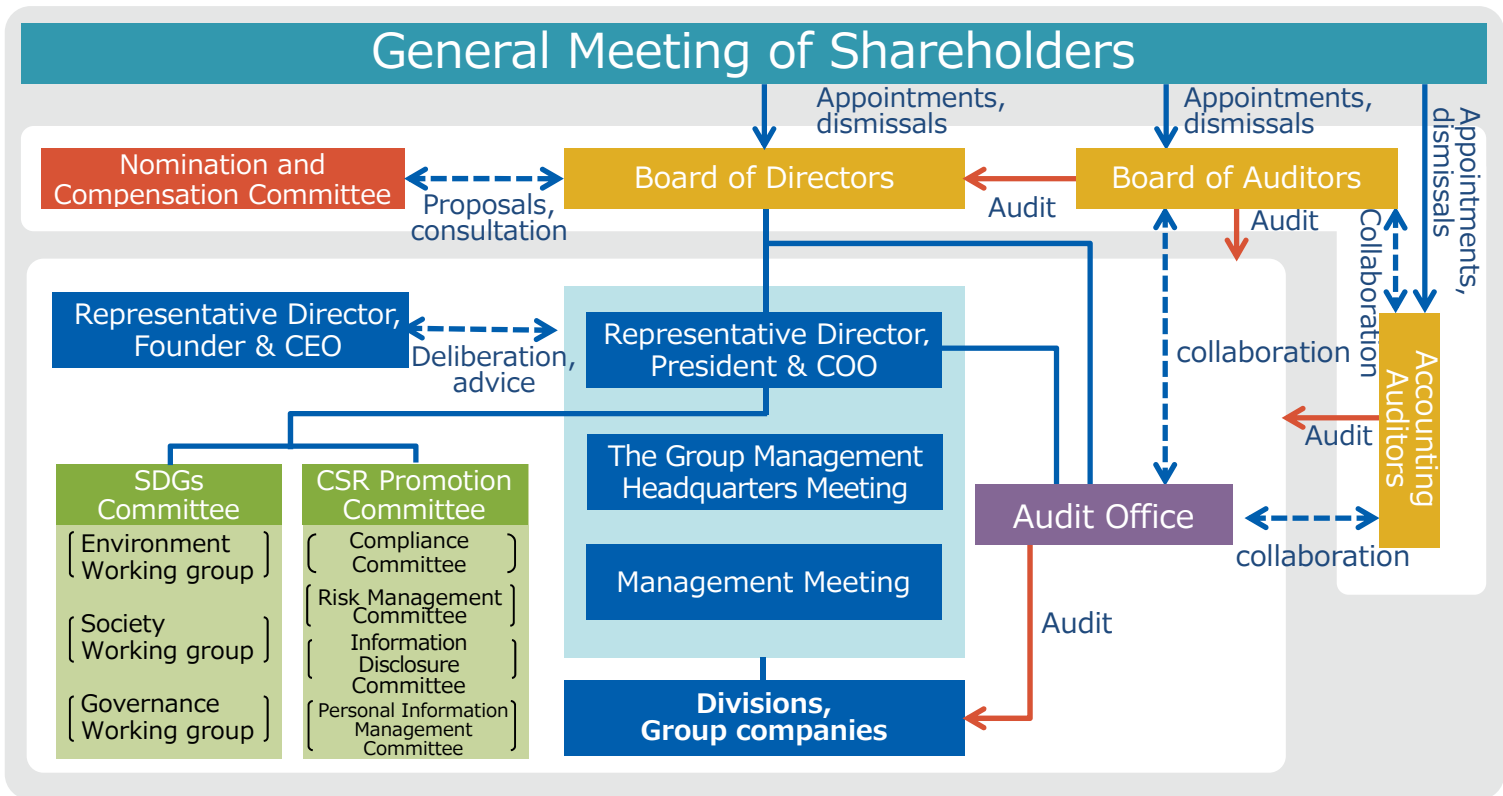
In addition, the Company comprehensively operates internal control systems in accordance with enforcement of the Financial Instruments and Exchange Act.

#### 2. Internal system check functions relating to information disclosures and the status of internal systems

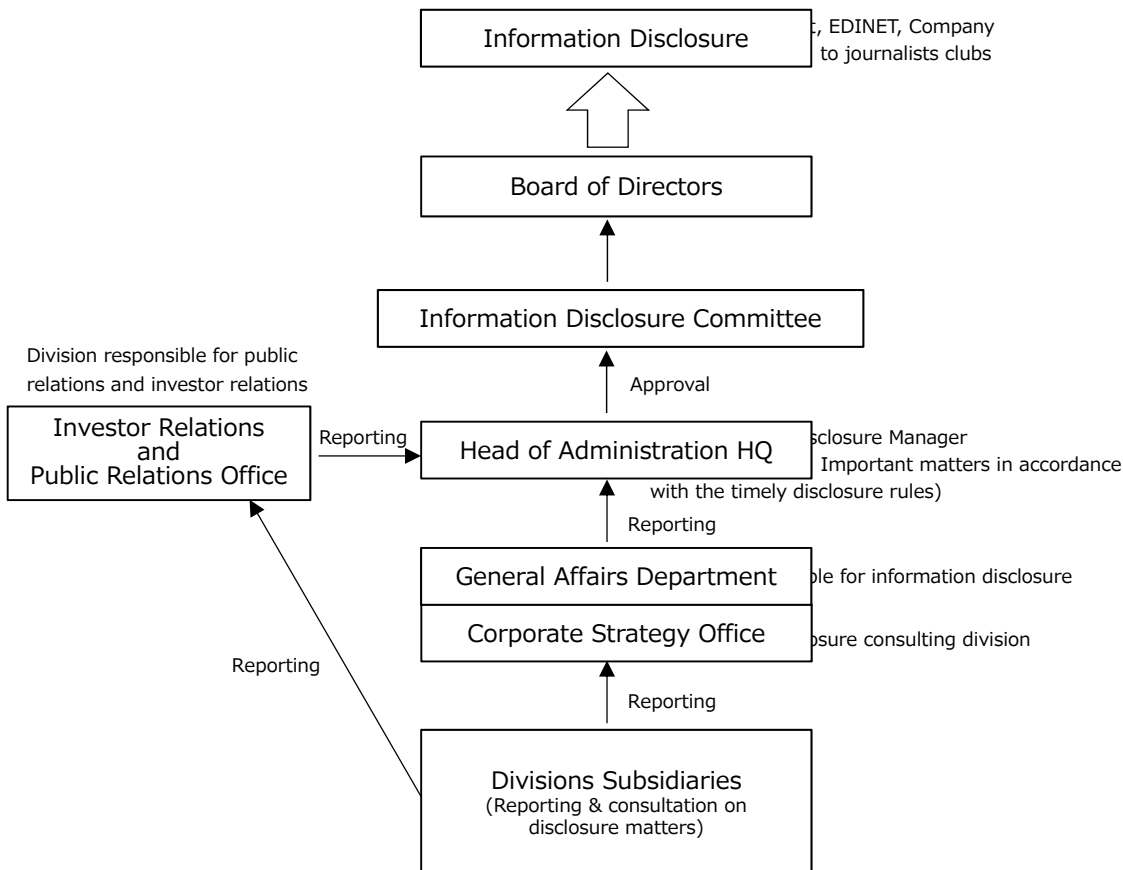
In light of the importance of corporate social responsibility (CSR), the Company established a CSR Promotion Committee and established an Information Disclosure Committee, Risk Management Committee, Compliance Committee, and Personal Information Management Committee as subordinate organizations to enhance internal systems.

The Company also established a Management Planning Office under the direct authority of the Representative Director, President & COO & COO to gather and manage information from group subsidiaries and affiliated companies and strives to make appropriate and timely disclosures of information through the system set forth in the attached figure.

Corporate Governance Organizational Diagram



## Information Disclosure System Organizational Diagram



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| <ul style="list-style-type: none"> <li>① Board of Directors:</li> <li>② Representative Director,<br/>President &amp; COO:</li> <li>③ Information Disclosure Committee:</li> <li>④ Head of Administration HQ:</li> <li>⑤ General Affairs Department:</li> <li>⑥ Management Planning Office:</li> <li>⑦ Investor Relations and Public Relations Office:</li> <li>⑧ Divisions and subsidiaries</li> </ul> | <ul style="list-style-type: none"> <li>Body that approves information disclosures</li> <li>Confirms information disclosure matters and convenes meetings of the Board of Directors</li> <li>Body that investigates information disclosures</li> <li>Person responsible for information disclosure management</li> <li>Division responsible for information disclosures</li> <li>Division the consults on information disclosures</li> <li>Division responsible for investor relations</li> <li>Report on information disclosure matters</li> </ul> |
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