

Corporate Governance

KOHOKU KOGYO CO.,LTD.

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Kohoku Kogyo

Futoshi Ishii, President and CEO

Contact: General Affairs Department (+81-749-85-3211)

Securities Code: 6524

The Company's corporate governance is as follows.

I. Basic Concept of Corporate Governance, Capital Composition, Corporate Attributes and Other Basic Information

1. Basic Concept

Under the management philosophy of "practice corporate management with participation by all members and appreciation of richness in their personality, and aim to become a one-of-a-kind company through creation of new values," the Company shall continuously endeavor to enhance its corporate governance from the perspective of optimizing the participation-type management. As it does so, the Company shall contribute to all stakeholders including shareholders, business partners and employees, while working to achieve sustainable growth and increase corporate value over the medium to long term. Furthermore, the Company has a basic policy on corporate governance, which is disclosed on its website (<https://www.kohokukogyo.co.jp/en/ir/governance/>).

[Reasons for Not Implementing Each Principle of the Corporate Governance Code]

<Supplementary Principle 4-1 (3): Succession planning for CEO, etc.>

Recognizing that succession planning for the chief executive officer (CEO) and others is a major mission and one of the most important challenges, the Company's Nomination and Remuneration Advisory Committee will discuss and consider this issue when appropriate.

[Disclosure Based on Each Principle of the Corporate Governance Code]

<Principle 1-4: Cross-shareholdings>

(1) Policy on cross-shareholding of listed shares

In order to create business opportunities and build, maintain and strengthen business and collaborative relationships, the Company's Board of Directors decides whether or not to acquire shares of a company based on the acquisition's significance and economic rationale, and may hold shares of companies it deems necessary. Each year, the Board of Directors will review the appropriateness of continuing to hold the cross-held shares for each company, taking into consideration the cost of capital, and strive to reduce cross-shareholdings by selling shares that are no longer meaningful to the Company.

(2) Criteria for exercising voting rights of cross-held shares

The Company appropriately exercises the voting rights of listed shares it holds, taking into consideration the policies of its proxy advisory firm and making comprehensive judgments as to whether or not the exercise of voting rights will contribute to the sustainable growth and medium-to long-term enhancement of corporate value of the companies in which it holds shares.

<Principle 1-7: Related party transactions>

The Company has established appropriate procedures to ensure that any transactions with its officers or major shareholders (related party transactions) are not detrimental to the Company or the common interests of its shareholders. Specifically, the Company has established Related Party Transaction Management Rules and, after thorough review of the rationality (business necessity) of the transaction and the appropriateness of the transaction terms and conditions, adopts a resolution at a meeting of the Board of Directors or reports to the Board of Directors depending on the nature of the transaction.

<Supplementary Principle 2-4 (1): Ensuring diversity in the promotion of core personnel, etc.>

Under the management philosophy of "Practice all-participating-type management respecting rich originality to aim for an only-one company through creation of new values," the Company strives to ensure diversity by making sure to appoint women as directors and actively promoting talented individuals to management positions regardless of gender, nationality, or whether they are a new graduate or mid-career hire. Group subsidiaries also actively promote the appointment of women and foreign employees as directors and managers. In addition, we have set a goal of increasing the ratio of female and foreign employees in managerial positions to 20% by the fiscal year ending December 2026. As we have already appointed many mid-career hires to managerial positions, our policy is to maintain the current status in that regard.

The Company's human resource development policy and internal environment development policy for securing diversity, as well as the implementation status thereof, are disclosed in securities reports and under the "Sustainability" section of the "Financial Results Materials Fiscal Year Ended December 2023 (for institutional investors and analysts)," which can be found on our website (<https://www.kohokukogyo.co.jp/en/ir/library/>).

<Principle 2-6: Functioning as the asset owner of corporate pension plans>

The Company has established the Economic, Industrial, and Medical Enterprise Pension Fund Program (multi-employer program) and a retirement lump sum system as defined benefit plans, as well as a Smaller Enterprise Retirement Allowance Mutual Aid System as a defined contribution plan.

We receive reports regarding investment results of the Economic, Industrial, and Medical Enterprise Pension Fund Program from the managing institution, and consider reviewing the operation as necessary in response to a careful review of said reports.

<Principle 3-1: Enhancing information disclosure>

(i) The Company's goals (management philosophy, etc.), management strategies and management plans

Under the management philosophy of "practice corporate management with participation by all members and appreciation of richness in their personality, and aim to become a one-of-a-kind company through creation of new values," the Company's management vision is to "conduct research and development, technology development, etc. that contributes to the realization of a one-of-a-kind company, and to build a highly profitable business."

(ii) Basic concept and policy of corporate governance based on each of the principles in this Code

The Company's basic concept of corporate governance is disclosed in "I. 1. Basic Concept" of this document. In addition, the basic policy on corporate governance is disclosed on its website (<https://www.kohokukogyo.co.jp/en/ir/governance/>).

(iii) Policies and procedures for the Board of Directors in determining senior management and director remuneration

These are disclosed in "II. 1. [Director Remuneration] Disclosure Details of Policy to Determine Amount of Remuneration or its Calculation Method" in this document.

(iv) Policies and procedures for the Board of Directors in appointing and dismissing senior management and nominating candidates for directors and auditors

The criteria and process for appointing and dismissing directors are as follows.

1. Appointment criteria for directors

(1) Complies with laws, regulations, the Company's Articles of Incorporation and other rules, and has a strong awareness of compliance

(2) Possesses a high level of knowledge and experience in their area of expertise

2. With respect to independent outside directors, the Company complies with the requirements of the Companies Act and the independence standards established by the Tokyo Stock Exchange, and appoints persons who can be expected to provide advice and oversee management based on an independent and objective standpoint in accordance with such standards.

3. Dismissal criteria for directors

Fraud, serious violation of laws, regulations, Articles of Incorporation or other rules, or gross negligence of duties

4. Appointment and dismissal process for directors

(1) In order to enhance fairness, transparency and objectivity, the Nomination and Remuneration Advisory Committee deliberates and reports on director appointment in response to an inquiry from the Board of Directors, and after the Board of Directors determines director candidates, they are appointed as directors by a resolution of the General Meeting of Shareholders.

(2) In order to enhance fairness, transparency, and objectivity, the Nomination and Remuneration Advisory Committee deliberates and reports on director dismissal in response to an inquiry from the Board of Directors, and if dismissal is deemed necessary as a result of the Board of Directors considering whether or not dismissal is necessary, the director is dismissed by a resolution of the General Meeting of Shareholders.

(v) Explanation of each appointment or dismissal of senior management or nomination of candidates for directors and auditors by the Board of Directors based on (iv) above

The reasons for nominating candidates for directors and auditors are explained in the convocation notice for the General Meeting of Shareholders.

<Supplementary Principle 3-1 (3): Sustainability initiatives, etc.>

Company recognizes the importance of sustainability and is actively engaged in CSR and environmental protection activities, as well as in the acquisition and maintenance of certifications such as ISO and IATF. These are disclosed in our securities reports and on our website (<https://www.kohokukogyo.co.jp/en/company/csr/>). Additionally, with regard to investments in human capital and intellectual property, etc., we disclose important issues (materiality), specific initiative themes, and KPIs for each ESG (Environment, Social, Governance) under the "Sustainability" section of the "Financial Results Materials Fiscal Year Ended December 2023" which can be found on our website (<https://www.kohokukogyo.co.jp/en/ir/library/>).

<Supplementary Principle 4-1 (1): Scope of the Board of Directors' delegation to management>

The Company's Board of Directors resolves matters required by the Companies Act, and these matters are defined in the "Table of Official Authority." Other matters are delegated to the president, directors and others, within the scope clarified in the "Table of Official Authority."

<Principle 4-9: Independence standards and qualifications for independent outside directors>

With respect to independent outside directors, the Company complies with the requirements of the Companies Act and the independence standards established by the Tokyo Stock Exchange, and appoints persons who can be expected to provide advice and oversee management based on an independent and objective standpoint in accordance with such standards.

<Supplementary Principle 4-10 (1): Appropriate involvement and advice of independent outside directors through the establishment of independent nomination and remuneration committees>

The Company has established the Nomination and Remuneration Advisory Committee, which serves as an advisory body to the Board of Directors and meets as needed to enhance corporate governance by strengthening the fairness, transparency and objectivity of procedures related to director nomination, remuneration, etc. As of the date of submission, the Nomination and Remuneration Advisory Committee consists of three members in total: an outside director (the chair), the president and another outside director. Its main roles are as follows.

- (1) It deliberates and reports on director appointment in response to an inquiry from the Board of Directors, which then determines director candidates.
- (2) It deliberates and reports on director dismissal in response to an inquiry from the Board of Directors, which then considers whether or not dismissal is necessary.
- (3) It deliberates and reports on formulation of policy for the director remuneration system and each director's remuneration, which is then determined by resolution of the Board of Directors, which has the authority to make the final decision, based on such deliberation and reports.

<Supplementary Principle 4-11 (1): Concept of the balance of knowledge, experience and competence as well as diversity and size of the Board of Directors>

In consideration of the number of persons capable of making accurate and prompt decisions, the Board of Directors shall consist of no more than nine (9) directors, and three (3) of them shall be independent outside directors. In consideration of the diversity of directors, the Board of Directors shall consist of personnel with strengths in specialized fields such as management, manufacturing, technology, research and development, sales, accounting, and sustainability in a well-balanced manner. Our directors have strengths in their specialized fields, and we have judged them to have sufficient knowledge, experience, and ability. Several are internationalized, concurrently serving as directors of overseas subsidiaries, and we select individuals with management experience at other companies, those with qualifications as certified public accountants, etc. The Skill Matrix is disclosed in the Notice of the General Meeting of Shareholders.

<Supplementary Principle 4-11 (2): Concurrent appointment of directors and auditors>

In cases where directors or auditors concurrently serve as officers of listed companies, the Company appoints them after considering whether they can devote the time and effort required to properly fulfill their roles and responsibilities as directors or auditors. The status of concurrent positions of directors and auditors is disclosed in business reports and securities reports.

<Supplementary Principle 4-11 (3): Evaluation of the effectiveness of the Board of Directors>

As disclosed in "Supplementary Principle 4-11 (1): Concept of the balance of knowledge, experience and competence as well as diversity and size of the Board of Directors" in this document, the Company believes that its Board of Directors is sufficiently knowledgeable, experienced and competent to ensure its effectiveness. The Company evaluates the effectiveness of the Board of Directors and discloses the results on its website (<https://www.kohokukogyo.co.jp/en/ir/governance/>).

<Supplementary Principle 4-14 (2): Training policy for directors and auditors>

The Company has a system in place to provide, facilitate and help pay for training opportunities for directors and auditors, including outside directors and auditors, tailored to each one's needs, with the aim of enabling them to acquire necessary knowledge of the Company's business, finances and organization upon assuming office, providing opportunities to understand the roles and responsibilities expected of them and continuously updating these during their term of office.

<Principle 5-1: Policy on constructive dialogue with shareholders>

The Company actively engages in dialogue with shareholders and strives to improve our systems to contribute to our sustainable growth and enhance our corporate value over the medium to long term.

- (1) Dialogue with shareholders is overseen by the director in charge of the Investor Relations & Public Relations Dept.
- (2) Our main IR activities include financial results briefings twice a year, individual investor briefings, visits to overseas investors, small meetings, door-to-door visits to domestic and overseas investors, and hosting IR interviews and ESG meetings. Depending on the content, the President and CEO, directors in charge of each business division, and the director in charge of the Investor Relations and Public Relations Dept. attend and provide explanations as appropriate. In addition, we prepare and disclose IR documents such as quarterly financial supplementary materials and investor guides, and disclose the above IR materials and non-financial information on our website.
- (3) The details of IR activities and feedback from investors are reported and shared at the management meeting, which is held monthly in principle, and then used for subsequent management. This information is useful for our policies and IR activities. Additionally, opinions received during dialogue with shareholders and others are reported to the Board of Directors as appropriate and reflected in business operations.
- (4) When interacting with shareholders, we pay attention to the fairness of information disclosure through the operation of the Disclosure Policy and related practical guidelines. In addition, the Company strives to ensure thorough management of insider information by holding regular in-house seminars to familiarize employees with the "Insider Trading Management Regulations".
- (5) The Company shall conduct a substantial shareholder survey twice a year to understand the shareholder structure.

[Actions toward Achieving Management Conscious of Cost of Capital and Stock Price] [English disclosure available]

On February 8, 2024, the company announced medium-term management plan, which sets out performance targets such as sales and operating profit, as well as targets for capital efficiency such as ROIC and ROE. (FY2026 target ROIC: 16.0%, ROE: 16.4%). In order to achieve our goals for the fiscal year ending December 2026, we will conduct an analysis of the current situation and, based on that analysis, determine capital investment plans for the next three years as well as measures and KPIs for each business division. Furthermore, as part of our shareholder return policy, we are conducting business operations with an awareness of increasing shareholder value, such as by establishing a new DOE standard (3%), which represents the dividend rate on equity, in addition to the consolidated dividend payout ratio. Details of our medium-term management plan and shareholder return measures are disclosed in the "Financial Results Briefing for the Fiscal Year Ended December 2023" on our website (<https://www.kohokukogyo.co.jp/en/ir/library>).

2. Capital Composition

Shareholding ratio of foreign investors

More than 10% but less than 20%

[Status of Major Shareholders]

Name	Number of shares held	Percentage (%)
Futoshi Ishii	4,057,500	45.10
IF Management Co., Ltd.	1,662,500	18.48
JP MORGAN CHASE BANK 380684 (Standing proxy: Mizuho bank)	246,000	2.73
THE BANK OF NEW YORK 133652 (Standing proxy: Mizuho bank)	196,600	2.19
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS – UNITED KINGDOM (Standing proxy: HSBC, Tokyo Branch)	189,500	2.11
The Master Trust Bank of Japan, Ltd. (Trust Account)	176,500	1.96
HSBC BANK PLC A/C CLIENTS, AIFMD 1 (HSBC, Tokyo Branch)	118,700	1.32
THE BANK OF NEW YORK MELLON 140051 (Standing proxy: Mizuho bank)	92,800	1.03
Kohoku Kogyo Employee Shareholding Association	79,746	0.89
Custody Bank of Japan, Ltd. (Trust Account)	59,700	0.66

Controlling shareholders (excluding parent company)

Futoshi Ishii

Existence of parent company

No

Supplementary explanation

- 1) The above percentages are calculated based on the total number of shares issued less treasury stock.
- 2) IF Management Co., Ltd. is the asset management company of Futoshi Ishii, president of the Company.
- 3) The status of major shareholders is current as of December 31, 2023.
- 4) The amendment report regarding the large-scale shareholding report dated July 6, 2023, which is available for public inspection, states that Schroder Investment Management Co., Ltd. and its co-holder, Schroder Investment Management Limited, each hold shares as of June 30, 2023. However, we are unable to confirm the actual number of shares held as of December 31, 2023, and therefore have not included them in the status of major shareholders above.

The contents of the Large Shareholding Report are as follows:

①Name: Schroder Investment Management Co., Ltd.

Address: 1-8-3 Marunouchi, Chiyoda-ku, Tokyo

Number of shares held: 614,500 shares

Shareholding ratio: 6.83%

②Name or company name: Schroder Investment Management Limited

Address: 1 London Wall Place, London, EC2Y5AU, UK

Holdings: 41,100 shares

Shareholding ratio: 0.46%

③Total of shares held by the above two companies

Number of shares held: 655,600 shares

Shareholding ratio: 7.29%

3. Company Attributes

Listed exchange and market segment

Tokyo Standard

Accounting period

December

Type of industry

Electric appliances

Number of employees as of end of preceding fiscal year (Consolidated)	1,000 or more
Net sales in the preceding fiscal year (Consolidated)	10-100 billion yen
Number of consolidated subsidiaries as of end of preceding fiscal year	Less than 10 companies

4. Guidelines Concerning Minority Shareholders Protection Policy in Transactions with Controlling Shareholders

While we have no business relationship between the Company and a controlling shareholder, if such a transaction were to occur in the future, we would establish a special committee consisting of independent persons, including independent outside directors, in order to sufficiently examine the rationality of the transaction (business necessity) and appropriateness in terms of the transaction, and to take measures to ensure that the interests of minority shareholders are not harmed.

5. Other Special Circumstances that could Materially Affect Corporate Governance

// Status of Management Organizations for Management Decision-Making, Execution and Oversight and Other Corporate Governance Structures

1. Matters Related to the Institutional Structure/Composition and Operation of the Organization

Organizational structure

Company with Audit & Supervisory Board

[Director Information]

Number of directors under Articles of Incorporation	9
Director's term of office under Articles of Incorporation	1 year
Chair of Board of Directors	President
Number of directors	8
Appointment of outside directors	Yes
Number of outside directors	3
Number of outside directors designated as independent officers	3

Relationship with Company (1)

Name	Attributes	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Yutaka Kuriyama	Came from another company												
Takeshi Nishimura	Certified public accountant												
Shoko Sawaki	Academic												

*Types of relationships with the Company

*A ○ indicates that the person holds a current or recent position while a △ indicates a past position.

*A ● indicates that a near relative holds a current or recent position while a ▲ indicates a past position.

- Executive of a listed company or its subsidiary
- Executive or non-executive director of the parent company of a listed company
- Executive of a sister company of a listed company
- A person whose main business partner is a listed company or the executive of such a company
- Major business partner of a listed company or the executive of such a company
- Consultant, accounting professional or legal professional who receives large sums of money or other assets from a listed company in addition to officer remuneration
- Major shareholder of a listed company (or executive of a major shareholder corporation)
- Executive of a business partner of a listed company (not falling under d, e or f) (concerning the person himself/herself only)
- Executive of a party with which the Company has a mutual outside officer relationship (concerning the person himself/herself only)
- Executive of the recipient of a donation from a listed company (concerning the person himself/herself only)
- Other

Relationship with Company (2)

Name	Independent Officer	Supplementary explanation of conforming items	Reason for appointment
Yutaka Kuriyama	○	-----	Kuriyama was appointed as an outside director based on his extensive experience and broad knowledge as a company executive, which he is expected to utilize in the Company's execution of business.
Takeshi Nishimura	○	-----	Nishimura is a certified public accountant and a licensed tax accountant, and was appointed as an outside director in expectation that he will offer useful counsel based on his considerable knowledge of corporate accounting and taxation.
Shoko Sawaki	○	-----	Sawaki is a university professor engaged in the education and research of business administration, including human resource management and cross-cultural management. She was appointed as an outside director based on the view that her extensive knowledge and experience will be reflected in the Company's management and contribute to strengthening the functions of the Board of Directors.

Existence of voluntary committee equivalent to a nomination committee or remuneration committee

Yes

Voluntary Committee Establishment, Member Composition and Attributes of Chair

	Committee name	Members (persons)	Full-time members (persons)	Internal directors (persons)	Outside directors (persons)	Outside experts (persons)	Other (persons)	Chair
Voluntary committee equivalent to nomination committee	Nomination and Remuneration Advisory Committee	3	3	1	2	0	0	Outside director
Voluntary committee equivalent to remuneration committee	Nomination and Remuneration Advisory Committee	3	3	1	2	0	0	Outside director

Supplementary explanation

The Nomination and Remuneration Advisory Committee, which serves as an advisory body to the Board of Directors, meets as needed to enhance corporate governance by strengthening the fairness, transparency and objectivity of procedures related to director nomination, remuneration, etc. As of the date of submission of this document, the Nomination and Remuneration Advisory Committee consists of three members, an outside director (the chair), the president and another outside director.

[Auditor Information]

Establishment of Audit and Supervisory Board	Yes
Number of auditors under Articles of Incorporation	5
Number of auditors	3

Cooperation between auditors, accounting auditors and internal audit department

The Company is working to improve audit quality through collaboration with auditors and accounting auditors focusing on the following items.

- Sharing of audit plans and explanations/reports (three-way audit meetings)
- Sharing of information on audit results and issues discovered (attendance at quarterly reviews)
- Attendance at physical inventories and subsidiary audits, etc., as necessary

The Company is working to improve audit quality through collaboration with auditors and the internal audit office focusing on the following items.

- Sharing of audit plans and explanations/reports (three-way audit meetings)
- Attendance at internal audit review meetings for audited departments and regular monthly meetings
- Attendance at physical inventories and subsidiary audits, etc., as necessary

Appointment of outside auditors	Yes
Number of outside auditors	2
Number of outside auditors designated as independent officers	2

Relationship with Company (1)

Name	Attributes	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Katsuya Matsumiya	Came from another company													
Masaya Nakamura	Attorney													

***Types of relationships with the Company**

***A ○ indicates that the person holds a current or recent position while a △ indicates a past position.**

***A ● indicates that a near relative holds a current or recent position while a ▲ indicates a past position.**

- 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. Auditor of the parent company of a listed company
- e. Executive of a sister company of a listed company
- f. A person whose main business partner is a listed company or the executive of such a company
- g. Major business partner of a listed company or the executive of such a company
- h. Consultant, accounting professional or legal professional who receives large sums of money or other assets from a listed company in addition to officer remuneration
- i. Major shareholder of a listed company (or executive of a major shareholder corporation)
- j. Executive of a business partner of a listed company (not falling under f, g or h) (concerning the person himself/herself only)
- k. Executive of a party with which the Company has a mutual outside officer relationship (concerning the person himself/herself only)
- l. Executive of the recipient of a donation from a listed company (concerning the person himself/herself only)
- m. Other

Relationship with Company (2)

Name	Independent Officer	Supplementary explanation of conforming items	Reason for appointment
Katsuya Matsumiya	○	-----	Based on his extensive experience and wide-ranging knowledge regarding financial institutions, the Company has appointed him as an Audit & Supervisory Board Member based on the judgment that his objective and neutral opinions can be utilized in the Company's audit system.
Masaya Nakamura	○	-----	Nakamura was appointed as an outside auditor for his professional perspective as an attorney, in the expectation that he will bring an objective, neutral view to the Company's audit system.

[Independent Officer Information]

Number of independent officers 5

Other Matters Concerning Independent Officers

[Incentive Information]

Status of director incentive programs Others

Supplementary Explanation of Applicable Items

The Company has introduced a restricted stock compensation plan to provide an incentive for the sustainable improvement of our corporate value and to further share that value with our shareholders.

Stock option recipients Inside directors, employees, and others

Supplementary Explanation of Applicable Items

The Company grants stock options for the purpose of enhancing corporate value over the long term and promoting shareholder-oriented management.

[Director Remuneration Information]

Disclosure status (of individual director remuneration) Individual remuneration is not disclosed.

Supplementary Explanation of Applicable Items

Existence of policy to determine amount of remuneration or its calculation method Yes

Disclosure Details of Policy to Determine Amount of Remuneration or its Calculation Method

I .Basic Policy

Compensation for directors of the Company shall be an amount that reflects business performance with consideration given to the duties, position, performance, and achievements, etc.

Specifically, from the perspective of sharing value with shareholders, remuneration for directors, excluding outside directors, shall consist of basic compensation, bonuses, and restricted stock compensation.

In view of their duties independent from the execution of business, remuneration for outside directors shall consist only of basic compensation.

The limit on the amount of remuneration for directors was resolved at the 58th Ordinary General Meeting of Shareholders held on March 30,

2017 to be no more than 300 million yen (excluding employee salary), and amounts are determined within this range.

II Basic remuneration

Basic remuneration shall be determined by taking into consideration the content of duties and position of each director, and shall be paid monthly.

III Bonuses

The total amount of bonuses shall be determined based on the Company's operating profit, etc., for each fiscal year, with the specific allocation to each applicable director determined individually by taking into consideration an evaluation of the performance and achievements of the department and position. These shall be paid in installments once or twice a year.

IV Restricted stock compensation

The Company has introduced restricted stock compensation to provide an incentive for the sustainable improvement of our corporate value and to further share that value with our shareholders.

At the 65th Ordinary General Meeting of Shareholders held on March 28, 2024, it was resolved that restricted stock compensation shall be made by providing monetary claims of up to 50 million yen per year in total (However, the employee salary of directors concurrently serving as employees is not included), separately from the limit on remuneration for directors stated in the basic policy above, and by having all such monetary claims be contributed in kind.

The specific allocation of restricted stock compensation to each eligible director shall be determined individually within the scope described above, taking into consideration an evaluation of the performance and achievements of the department they are in charge of, and shall be paid once a year.

V Procedures for Determining Compensation, etc. by Individual

In order to ensure objectivity and transparency in the process of determining individual compensation, etc., the Company has established a Nomination and Compensation Advisory Committee, the majority of which is comprised of independent outside directors.

Decisions on individual compensation shall be made by the Board of Directors after deliberation by this Nomination and Compensation Advisory Committee.

[Support System for Outside Directors (Auditors)]

Upon their assumption of office, the Company provides opportunities to outside directors (and outside corporate auditors) to acquire necessary knowledge regarding our business, finance, organization, etc., and to understand the roles and responsibilities required of directors and Audit & Supervisory Board Members. In order to continuously update their skills and knowledge during their tenure, we offer and arrange training opportunities suitable for the individual directors and Audit & Supervisory Board Members, and provide support regarding related expenses.

In addition, outside directors (and outside corporate auditors) regularly exchange opinions with corporate auditors and the Audit & Supervisory Board regarding overall management of the Company.

2. Matters Pertaining to Functions such as Business Execution, Auditing and Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance Structure)

(1) Board of Directors/Directors

As the decision making body responsible for the management of the Company, the Board of Directors makes decisions on the execution of important business and supervises the execution of business by directors. Board of Directors meetings are held on a regular basis once a month and as needed to expedite decision making, and decisions are made fairly and appropriately through adequate consultation.

As of the date of submission of this document, the Board of Directors is chaired by President and CEO Futoshi Ishii, and is composed of one Senior Executive Director, one Executive Director, five Directors (of which, three are Outside Directors), and three Audit & Supervisory Board Members (of which, two are outside corporate auditors). The names of the members of the Board of Directors are stated in the securities report.

(2) Audit and Supervisory Board/Auditors

The Audit & Supervisory Board holds regular meetings once a month and meets as necessary to receive reports on important management matters from the directors and discuss or make resolutions. Each Audit & Supervisory Board Member sets audit policies and audit plans, attends meetings of the Board of Directors and other important meetings, and audits the execution of duties by directors by examining the business and financial condition of the Company. Audit & Supervisory Board Members include those with legal knowledge as lawyers.

As of the date of submission of this document, the Audit & Supervisory Board is chaired by Audit & Supervisory Board Member Katsuya Matsumiya, and is composed of three Audit & Supervisory Board Members (of which, two are outside corporate auditors). The names of the members of the Audit & Supervisory Board are stated in the securities report.

(3) Management Meetings

The Management Meeting, which consists of directors and senior management at the level of department head or above, holds sufficient discussions regarding important matters relating to the Company, such as medium-term management plans, budgets, and important proposals. In principle, meetings are held once a month for each business and division for the purpose of reporting on the progress of the policies of the Lead Terminals Business, Optical Components & Devices Business, and administrative departments, and they are also held as necessary.

As of the date of submission of this document, the Management Meeting relating to the Lead Terminals Business includes the President and CEO (Chairman), one Senior Executive Director, three Directors (of which, one is an Outside Director), five department heads, and one full-time Audit & Supervisory Board Member (outside corporate auditor). In addition, officers or employees not mentioned above may be called as necessary.

As of the date of submission of this document, the Management Meeting relating to the Optical Components & Devices Business includes the President and CEO (Chairman), one Executive Director, three Directors (of which, one is an Outside Director), five department heads, and one full-time Audit & Supervisory Board Member (outside corporate auditor). In addition, officers or employees not mentioned above may be called as necessary.

As of the date of submission of this document, the Management Meeting relating to administrative departments includes the President and CEO (Chairman), one Senior Executive Director, one Executive Director, three Directors (of which, one is an Outside Director), four department heads, and one full-time Audit & Supervisory Board Member (outside corporate auditor). In addition, officers or employees not mentioned above may be called as necessary.

(4) Compliance Committee

The Compliance Committee, which consists of directors and department heads, etc., meets every other month in principle, in order to review decisions related to Group compliance-related policies and measures, and to consider awareness and education regarding compliance promotion.

As of the date of submission of this document, the Compliance Committee includes the President and CEO (Chairman), one Senior Executive Director, one Executive Director, two Directors, three department heads, one full-time Audit & Supervisory Board Member (outside corporate auditor), and the head of the Internal Audit Department..

(5) Risk Management Committee

The Risk Management Committee, which consists of directors and department heads, etc., meets every other month in principle, in order to determine policies and measures related to risk management for the Group, grasp the management status of individual risks relating to the Group's business and other operations, and to provide guidance on risk avoidance measures for each department of the Group.

As of the date of submission of this document, the Risk Management Committee includes the President and CEO (Chairman), one Senior Executive Director, one Executive Director, two Directors, three department heads, one full-time Audit & Supervisory Board Member (outside corporate auditor), and the head of the Internal Audit Department.

(6) Sustainability Committee

The goal of the Sustainability Committee is to help the Group contribute to a sustainable society by tackling various issues, including those related to the environment, as well as achieve sustainable corporate growth and increase corporate value over the medium to long term. Established in January 2024, the Committee meets every four months in principle. As of the date of submission of this document, the Sustainability Committee includes the President and CEO (Chairman), one Senior Executive Director, one Executive Director, two Directors, eleven department heads, one full-time Audit & Supervisory Board Member (outside corporate auditor), and the head of the Internal Audit Department..

(7) Nomination and Compensation Advisory Committee

The Nomination and Compensation Advisory Committee serves as an advisory body to the Board of Directors and meets as needed to strengthen the fairness, transparency, and objectivity of procedures relating to the nomination and compensation of directors and to enhance corporate governance.

As of the date of submission of this document, the members of the Nomination and Compensation Advisory Committee are an outside director serving as chairman, the President and CEO, and one additional outside director.

(8) Internal Audit Department

The Internal Audit Department, an organization under the direct control of the President and CEO, conducts internal audits on the legality and appropriateness of the operational state of internal systems and the status of business execution across all aspects of management. The Company cooperates with accounting auditors through the exchange of opinions on accounting audits and hearing about accounting audit plans and results. We are deepening cooperation with Audit & Supervisory Board Members through internal audit plans and the reporting of internal audit results, aiming to enhance the auditing function through these efforts.

As of the date of submission of this document, the Internal Audit Department consists of the head of the Internal Audit Department and one member.

(9) Accounting auditors

Accounting auditors report audit plans and results to the Audit & Supervisory Board and the Internal Audit Department as needed.

The Company has entered into an audit agreement with Deloitte Touche Tohmatsu LLC, and audits are conducted timely and appropriately. There are no special interests between the Company and the auditing firm or its executives.

3. Reasons for Choosing the Current Corporate Governance Structure

The reason why we adopted such a system is that we believe it is appropriate for the Company's corporate scale and that it contributes to transparent, fair, and prompt management and strengthens governance.

III. Implementation Status of Measures Concerning Shareholders and Other Interested Parties

1. Status of Efforts to Promote Participation in Shareholder Meetings and Facilitate the Exercise of Voting Rights

	Supplementary explanation
Early dispatch of General Meeting of Shareholders convocation notices	The Company will dispatch convocation notices as early as possible to ensure that shareholders have sufficient time to consider the agenda items.
Exercise of voting rights by electromagnetic means	The exercise of voting rights is conducted by electromagnetic means using computers and smartphones.
Participation in electronic voting platform and other efforts to improve ability for institutional investors to exercise voting rights	The Company participates in an electronic voting platform operated by ICJ, Inc.
Provision of convocation notice (summary) in English	The Company provides convocation notices in English.

2. Status of IR Activities

	Supplementary explanation	Explanation by representative himself/herself
Preparation/publication of disclosure policy	The Company's website has a dedicated IR website for disclosure.	
Regular briefings for individual investors	The Company holds briefings for individual investors as necessary.	Yes
Regular briefings for analysts and institutional investors	The Company holds meetings as appropriate in the form of web conferences, etc., at which the president and directors in charge of each business division explain business performance trends, strategies, and other matters.	Yes
Regular briefings for overseas investors	Briefings are held in-person in Europe, the United States, and Asia, and online as necessary. In said briefings, the President and CEO, directors in charge of each business division, and the director in charge of the Investor Relations & Public Relations Department explain the trends in business performance and business strategies.	Yes
Posting of IR materials on website	The Company's website has a dedicated IR website (https://www.kohokukogyo.co.jp/ir/) to disclose financial results, quarterly reports, securities reports, supplementary materials for explanation of financial results, investor's guides, etc. The Company also has a dedicated English IR website (https://www.kohokukogyo.co.jp/en/ir/) in which it discloses various IR materials in English.	
Establishment of IR department (person in charge)	The Investor Relations and Public Relations Dep. handles IR.	

3. Status of Efforts to Respect Stakeholders' Position

	Supplementary explanation
Stipulation regarding respect for the position of stakeholders in internal rules	The Company's Basic Policy on Corporate Governance states, "The Company strives to maintain good relationships with its shareholders, employees, customers, business partners, creditors, local communities and various other stakeholders and act in accordance with the Code of Conduct to earn their trust."
Implementation of environmental conservation activities, CSR activities, etc.	The Company has established an environmental policy and is working to conduct environmentally friendly business operations, such as acquiring the environmental management system ISO14001. The Company has also installed solar power generation equipment at its headquarters factory and provides support for environmental conservation activities in local communities. Furthermore, it contributes to society through scholarship programs and local volunteer activities. Details of CSR activities are disclosed on the Company's CSR website (https://www.kohokukogyo.co.jp/en/company/csr/).
Establishment of policy for provision of information to stakeholders	The Company has established Basic Disclosure Rules and Timely Disclosure Rules as company-wide rules, while the division in charge of investor relations has also established IR Activity Guidelines in an effort to disclose information in a timely and appropriate manner.

IV. Matters Related to Internal Control Systems, etc.

1. Basic Concept and Status of Internal Control Systems

(1) Basic Concept of Internal Control Systems

In order to enhance corporate value through business activities in line with our management philosophy and to build a stable, sustainable group foundation, the Company has established a Basic Policy for Internal Control Systems, based on the Companies Act and the Ordinance for Enforcement of the Companies Act and by resolution of the Board of Directors, to ensure the appropriateness of our operations, and strives to improve internal control functions.

(2) Status of Internal Control Systems

- ① Systems to ensure that the execution of duties by directors and employees complies with laws, regulations and the Articles of Incorporation.
 - (i) The Code of Conduct presents norms to ensure appropriate execution of duties by directors and employees.
 - (ii) The Company establishes organization, business and other internal rules and conducts business based on these rules.
 - (iii) When executing business, the Company provides education and awareness and appropriately oversees this execution. In the event of a problem, appropriate disciplinary action is taken in accordance with the Rules of Employment and other relevant regulations.
 - (iv) The Company has established a whistle-blowing system to receive reports and inquiries regarding real and potential compliance violations in the execution of business and operates the system appropriately.
 - (v) The appropriateness of business execution is confirmed through internal audits, audits by company auditors and financial audits, and feedback is provided to the audited departments and reported to the Board of Directors, Audit and Supervisory Board and president. Necessary and appropriate corrective actions are then taken.
 - (vi) The Nomination and Remuneration Advisory Committee has been established as an advisory body to the Board of Directors to enhance fairness, transparency and objectivity in determining director nominations and remuneration.
 - (vii) The Company severs any ties with antisocial forces. It does not accept their unreasonable demands nor provide funds to them.
- ② System for storage and management of information related to execution of duties by directors

Information related to the execution of duties by directors is stored and managed appropriately and reliably in a highly searchable condition in accordance with the storage media, based on the Document Management Rules and other internal rules.
- ③ Rules and other systems for managing risk of loss
 - (i) The Company has established Risk Management Rules and builds and operates a risk management system.
 - (ii) In order to prevent the spread of losses in the event of a serious incident in business activities, a system has been established to ensure prompt and appropriate communication of information and emergency response.
 - (iii) In accordance with the Internal Audit Rules, the Company conducts systematic internal audits, and in the event that any matter is discovered that poses a risk of loss based on a violation of laws, regulations, the Articles of Incorporation or other reasons, the Company reports to the president as appropriate and follows up on the implementation of corrective measures.
- ④ System to ensure efficient execution of duties by directors
 - (i) The Board of Directors meets regularly once a month and as needed to deliberate and decide on important matters in accordance with laws,

regulations, the Articles of Incorporation and other rules.

- (ii) The Rules on Division of Duties and Rules on Administrative Authority specify who is responsible for the execution of each duty and the details of their responsibilities and procedures.
- (iii) The Company specifies its management policies and business objectives by formulating medium-term management plans in order to execute business efficiently and effectively.

⑤ System to ensure appropriateness of operations by corporate group consisting of the Company and its subsidiaries

- (i) While respecting the autonomy of subsidiaries, the Company manages them through periodic reporting of their business to the Company as well as discussing and making decisions on important matters, in accordance with the Rules for Management of Affiliated Companies.
- (ii) The Internal Audit Office monitors the appropriateness of operations of the Company and its subsidiaries.

⑥ Matters concerning employees to assist the Company's auditors when they request such assistance, matters concerning the independence of such employees from the Company's directors and matters concerning the effectiveness of instructions given by the Company's auditors to such employees

- (i) When required by the auditors, employees are assigned to assist them in their duties.
- (ii) Such employees are not subject to the direction or orders of directors or others with respect to duties assigned by auditors.
- (iii) The appointment, transfer, evaluation and discipline of such employees requires the prior consent of the Audit and Supervisory Board.

⑦ Systems for directors, employees to report to auditors and other systems concerning reporting to auditors

- (i) Directors report on the status of execution of their assigned duties at Board of Directors meetings and other important meetings attended by auditors.
- (ii) Group directors and employees promptly report to the auditors not only legal matters but any matters that may have a material impact on the Company and Group.
- (iii) Auditors may request reports from directors and employees of the Company and its subsidiaries at any time.
- (iv) No person who reports to an auditor is treated disadvantageously by reason of such report.
- (v) When an auditor requests prepayment of expenses in connection with the performance of duties, the Company promptly pays for such expenses or liabilities unless they are deemed unrelated to the performance of the auditor's duties.

⑧ Other systems to ensure that audits by company auditors are conducted effectively

- (i) In order to ensure that the audits by company auditors are conducted effectively, the directors have established a system that allows sufficient exchange of information with the Company's accounting auditor regarding the details of financial audits.
- (ii) Regular meetings between auditors and the president are held to exchange opinions.

⑨ Status of Risk Management System

In establishing the "Risk Management Rules," the Company is striving to prevent risks, detect risks at an early stage, and minimize losses by clarifying the management system for preventing the occurrence of risks and the responses to such risks should they occur. In addition, we established "Internal Reporting Rules" and an internal reporting system for law violations, misconduct, etc., to ensure early detection and correct misconduct.

⑩ Status of Systems to Ensure Adequacy of Operations of Subsidiaries

The Company established "Rules for the Administration of Affiliated Companies" and is working to enhance the management efficiency of the Group and appropriately manage the operations of our subsidiaries. We also established "Internal Audit Rules," and the Internal Audit Department conducts internal audit services for the Company and all subsidiaries, and verifies their management systems.

⑪ Outline of the Limited Liability Agreement

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into agreements with corporate auditors and directors who are not executive directors to limit their liability for damages where the requirements stipulated by law regarding liability under Article 423, Paragraph 1 of the Companies Act are met. The maximum amount of liability under this agreement is the minimum liability amount stipulated by laws and regulations.

2. Basic Concept and Status of Elimination of Antisocial Forces

(1) Basic concept of elimination of antisocial forces

As its basic policy regarding antisocial forces, Article 10 of the Company's Code of Conduct states, "The Company shall take a firm stand against antisocial forces that threaten social order and sound corporate activities, and shall not engage in any illegal or antisocial activities, nor provide any benefits, including economic benefits, to antisocial forces under any pretext."

(2) Status of elimination of antisocial forces

The Company works to instill its corporate ethics to eliminate any relationship with antisocial forces by making the above Code of Conduct thoroughly known by its officers and employees.

The specific status is as follows.

(a) Department in charge of response and person in charge of unreasonable demands

The Company has designated the General Affairs Department as the department in charge of responding to antisocial forces, and the head of the General Affairs Department as the person responsible for preventing acceptance of unreasonable demands. In addition, a system is in place for the head of the General Affairs Section to respond to unreasonable demands, organized violence and criminal acts by antisocial forces in accordance with Article 5 of the Complaint Response Manual.

(b) Investigation of business partners, etc.

At the start of new transactions, the Company investigates whether the counterparty has any relationship with antisocial forces by using Nikkei Telecom and other means in accordance with Article 7 of the Rules for Dealing with Antisocial Forces. If this investigation reveals a connection with antisocial forces, or if there is not enough evidence to conclude that there is no connection with antisocial forces, the Company will not engage in business with said counterparty. In addition, when concluding contracts with business partners, the Company will include clauses of exclusion of antisocial forces in the contracts.

(c) Investigation of officers, employees, etc.

As with business partners, the Company investigates whether its officers or employees have any relationship with antisocial forces by using Nikkei Telecom and other means.

V. Other

1. Implementation of Anti-Takeover Measures

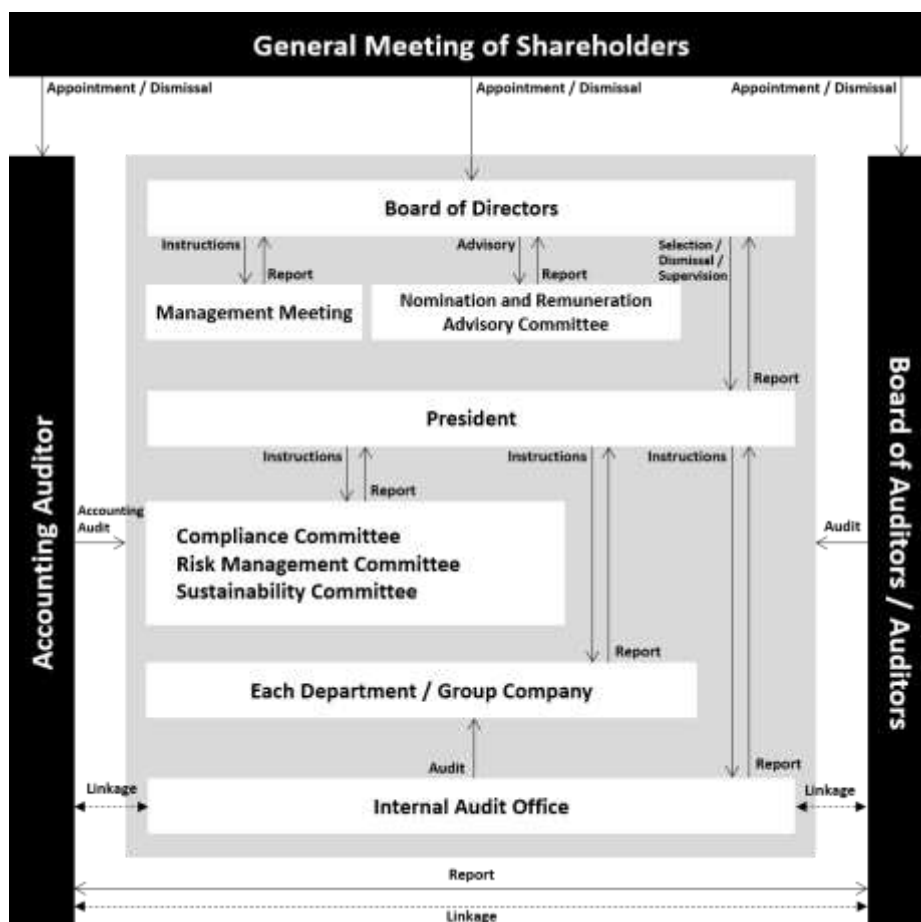
Implementation of anti-takeover measures

No

Supplementary Explanation of Applicable Items

2. Other Matters Related to Corporate Governance Structures, etc.

(1) Overview of the Company's corporate governance structure (schematic diagram)



(2) Overview of Timely Disclosure Structure

The Company strives to disclose corporate information that has a significant impact on investment decisions in a timely and appropriate manner in accordance with internal regulations, including our Disclosure Policy and Timely Disclosure Rules.

<Reference material: Overview of timely disclosure structure (schematic diagram)>

