

Corporate Governance Report

Last Update: June 25, 2025

Kyosan Electric Manufacturing Co., Ltd.

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<https://www.kyosan.co.jp/english/>

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

I. Basic Approach to Corporate Governance, Capital Structure, Corporate Profile, and Other Basic Information

1. Basic Approach

The Company believes that excellent governance means operating businesses that enhance the corporate value of the Company for all stakeholders, through fair and open businesses managed from a long-term perspective as a going concern that balances both environmental and social considerations, while aiming to maximize shareholder value. Based on this principle, we strive to establish healthy and functional corporate governance, and to build a corporate ethics system that ensures the transparency and soundness of corporate activities.

We believe that strengthening corporate governance will contribute to the sustainable growth of a company and the improvement of medium- to long-term corporate value. We strive to practice management that improves our corporate value by building a positive relationship with all stakeholders through further enhancing the roles and responsibilities of the Board of Directors, etc., and through the proper disclosure of information and active dialogue with shareholders.

Disclosure Based on the Principles of the Corporate Governance Code

[Principle 1.4: Cross-Shareholdings]

1. Policy on cross-shareholdings of listed companies

With respect to cross-shareholdings deemed necessary for the Company’s sustainable growth and increase of corporate value for the medium to long term, through creating business opportunities and maintaining and strengthening business transactions and procurement partnerships, the Board of Directors determines each year if cross-shareholdings are appropriate or not on a case-by-case basis from viewpoints such as benefits and risks associated with cross-shareholdings, based on the perspective of improving capital efficiency. In addition, the Company will also endeavor to reduce cross-shareholdings through dialogue with the companies it invests in and to hold cross-shareholdings in an appropriate manner.

2. Standards for determining if cross-shareholdings are appropriate or not

The Company determines whether to continue to hold a stock based on quantitative verification by calculating the overall yield of each stock based on trading profit and the amount of annual dividends as of the end of each fiscal year, and comparing the results with the capital cost, taking account of the medium- to long-term outlook for the share price and other factors, including the aspect of risks.

3. Standards for exercising voting rights associated with cross-shareholdings

The Company exercises its voting rights associated with cross-shareholdings according to the following standards.

- (1) Voting rights are to be exercised for all proposals in principle.
- (2) The Company makes a decision on whether to approve or disapprove each proposal upon consideration of operations and management of each issuing company while paying respect to its management policies.
- (3) With regard to proposals that may affect the corporate value of the Company or common interests of shareholders, the Company decides whether to approve or disapprove proposals upon confirmation of the objective of such proposals and the perspective on the improvement of corporate value through individual dialogues.

The Company addresses issues of cross-shareholdings in accordance with the aforementioned “1. Policy on cross-shareholdings of listed companies,” “2. Standards for determining if cross-shareholdings are appropriate or not” and “3. Standards for exercising voting rights associated with cross-shareholdings.”

[Principle 1.7: Related Party Transactions]

In principle, the Company carries out a legal review on related party transactions, if any, followed by a consultation at the Board of Directors’ meeting with the official involved in such transactions excluded from its quorum as a party with special interest, thereby it examines the appropriateness of such transactions.

[Supplementary Principle 2.4.1: Ensuring Diversity within the Company, Including the Promotion of Women’s Social Advancement]

The Company’s Board of Directors has adopted the following resolutions regarding the Company’s approach to ensuring diversity and its policy for personnel development and improvement of the internal working environment.

<Approach to diversity, equity and inclusion>

The Kyosan Group believes that diversity, equity and inclusion (DE&I) initiatives are essential to implementing its management philosophy and achieving sustainable growth as a company. We promote DE&I to provide equitable opportunities for our employees, protect their dignity, and promote mutual respect in the workplace. We will strive to create a working environment that is fair, free from bias, and respectful of individuality for all employees.

<Approach to ensuring diversity in the appointment of core personnel, etc.>

The Kyosan Group encourages the autonomous growth of individual employees through systematic career development and the enhancement of systematic educational programs, and promotes the appointment of core personnel who are the right person for the right job, regardless of age, gender, nationality, or other attributes.

Based on this, we will work to increase the ratio of female managers to 5% or more, which is currently insufficient, and to ensure diversity in core human resources, including foreign nationals and mid-career employees.

<Policy on personnel development and maintenance of the internal working environment for ensuring diversity>

In order to transform into a company with a global perspective, the Kyosan Group will promote an evaluation system that gives employees a sense of fulfillment, including the sense that they are needed, they can grow, and they can exercise their abilities, as well as working style reforms, including improvements in the workplace environment, in order to increase employee engagement and develop personnel that will generate sustainable value.

[Principle 2.6: Roles of Corporate Pension Funds as Asset Owners]

The Company has a defined benefit corporate pension plan in place, where management of its fund is outsourced to a dedicated asset manager. Meanwhile, the Company, as appropriate, provides the managers of the department in charge of the pension plan with the opportunities to receive an explanation from the asset manager, in order to enhance its function as the asset owner, in an effort to ensure development of internal personnel in this area.

[Principle 3.1: Full Disclosure]

- (1) The Corporate Philosophy and related information are posted on the Company’s website. Please refer to the following.

(Corporate Philosophy: <https://www.kyosan.co.jp/english/company/vision.html>)

The Company has also formulated its medium-term management plan and outlook for the current fiscal year, and the details of which have been made public through the Company’s website. Please refer to the following.

(Medium-term management plan: <https://contents.xj-storage.jp/xcontents/67420/6c349a4f/1437/4df9/a3f2/02df548f392b/20250515122601146s.pdf>)

- (2) The Company’s basic approach to corporate governance is disclosed in its Corporate Governance Report. For details, please refer to “I. 1. Basic Approach” in the Report.
- (3) Policies and procedures in determining Directors’ remuneration by the Board of Directors are disclosed in the Company’s Corporate Governance Report. For details, please refer to “Remuneration for Directors” in “II. 1. Organizational Composition and Operation” in the Report.

- (4) On the appointment and dismissal of senior management and nomination of candidates for Director, the Board of Directors resolves such issues based on the judgement by Directors on the basis of their skills and qualifications deemed suitable to fulfill their respective roles, with reference to reports by the Nomination and Remuneration Committee.

The basic qualifications, skills, and other qualities required in the selection of candidates for Director are as follows.

- Is fit in mind and body to fulfill duties as Director
- Possesses integrity, high ethical values, and a strong sense of responsibility
- Possesses a high degree of compliance awareness, in terms of the sound management of a listed company and the establishment of substantial corporate governance
- Aims for the sustainable growth of the Company and the improvement of corporate value by contributing to local communities, clients, suppliers, shareholders, and other stakeholders
- Has no special interests that may influence the Company's management decisions
- Is able to actively express his/her own opinion from a company-wide perspective
- Is subject to none of the reasons for disqualification from serving as a director prescribed under Article 331, Paragraph 1 of the Companies Act
- For internal Directors, possesses the experience and ability to contribute to the Company's management and businesses
- For Outside Directors, possesses useful career experience to contribute to improving medium- to long-term corporate value; specifically, possesses expert knowledge and experience in fields such as management, finance, accounting, law, government administration, and technical development

Regarding the dismissal of Directors, if either the Board of Directors or the Nomination and Remuneration Committee determines that a Director may not fulfill the criteria for the appointment listed above, the Nomination and Remuneration Committee, either on request from the Board of Directors or of its own initiation, will deliberate on whether or not the Director should serve to the end of his/her present term of office, and report to the Board of Directors on the results of this deliberation. Should the Board of Directors determine, with reference to the report of the Nomination and Remuneration Committee, that the aforementioned Director should not continue to serve in the office of director, then it will dismiss the Director.

The nomination of candidates for Audit & Supervisory Board Member, who are endorsed by Representative Directors, is subject to resolutions of the Board of Directors upon obtaining the consent of the Audit & Supervisory Board.

The basic qualifications, skills, and other qualities required in the selection of candidates for Audit & Supervisory Board Member are as follows.

- Is fit in mind and body to fulfill duties as Audit & Supervisory Board Member
- Possesses integrity, high ethical values, and a strong sense of responsibility
- Is able to ensure independence from executives
- Is able to maintain a fair and unbiased attitude and to actively express his/her own opinions.
- Possesses an excellent ability to objectively analyze and make decisions from a company-wide perspective
- Is subject to none of the reasons for disqualification from serving as an Audit & Supervisory Board Member prescribed under the items of Article 331, Paragraph 1 of the Companies Act as applied mutatis mutandis pursuant to Article 335, Paragraph 1 of the Act
- For Outside Audit & Supervisory Board Members, possesses expert knowledge and experience in fields such as corporate management, financial accounting, law, and government administration
- For one of the Audit & Supervisory Board Members, possesses a considerable level of knowledge of finance and accounting

- (5) The agenda relating to the appointment and dismissal of senior management is determined by the Board of Directors after deliberation at the Nomination and Remuneration Committee, which is an advisory body of the Board of Directors, and an explanation of reasons for the nomination of each candidate is contained in Reference Documents for the Ordinary General Meeting of Shareholders.

[Supplementary Principle 3.1.3: Full Disclosure]

The Company discloses policy initiatives and detailed measures that the Company implements, primarily its approach and initiatives related to its own sustainability, but also regarding issues such as investment in human capital and intellectual property. From FY2022, we will strive to identify various risks and opportunities based

on the framework of the Task Force on Climate-related Financial Disclosures (TCFD) and promote appropriate information disclosure and responses while positioning “contribution to decarbonization” as a materiality.

Details are posted on the Company’s website. Please refer to the following.

(Sustainability: <https://www.kyosan.co.jp/english/csr/>)

[Supplementary Principle 4.1.1: Roles and Responsibilities of the Board of Directors (1)]

In addition to matters stipulated by laws and regulations and the Articles of Incorporation, the Board of Directors of the Company deliberates, approves and makes decisions on matters stipulated by the Board of Directors’ Regulations.

Furthermore, the Board of Directors of the Company delegates matters related to business execution other than matters to be deliberated that are stipulated by the Board of Directors’ Regulations to each Director and Executive Officer within the scope of administrative authority of Directors and Executive Officers.

[Principle 4.9: Independence Standards and Qualifications for Independent Outside Directors]

In the selection of candidates for Outside Directors, the Company has its own standards, namely, whether they meet the requirements for Outside Directors stipulated by the Companies Act and the independence criteria prescribed by the Tokyo Stock Exchange, and whether they are qualified as a specialist with professional knowledge required for corporate management, have experience in corporate management, or have equivalent skills. In addition, the Company selects individuals, who are deemed to have the potential to fulfill duties as Outside Director of the Company by leveraging their broad and professional insight, as independent Outside Director candidates.

[Supplementary Principle 4.10.1: Use of Voluntary Structures]

The Company has established the Nomination and Remuneration Committee, comprising a majority of Independent Outside Directors, as an advisory body of the Board of Directors. The Nomination and Remuneration Committee considers especially important matters concerning issues such as nomination and remuneration, and receives appropriate involvement and advice from Independent Outside Directors.

The Company has disclosed that its Nomination and Remuneration Committee is composed of a total of six members: four Independent Outside Directors and two internal Directors. This composition, with the Chairperson appointed from among the Independent Outside Directors, ensures that independence is fully assured. The Board of Directors considers reports and advice received from the Nomination and Remuneration Committee as an important input in its deliberation and resolutions.

[Supplementary Principle 4.11.1: Preconditions for the Board of Directors and Audit & Supervisory Board Effectiveness]

The Board of Directors of the Company consists of Directors who are familiar with respective operating and administrative divisions, and independent Outside Directors who satisfy independence criteria stipulated by the Companies Act and prescribed by the Tokyo Stock Exchange as well as the Company’s own standards. When appointing Directors, in addition to using a skills matrix to determine candidates, the Company also discloses a skills matrix as a reference document for proposals for the appointment of Directors at the General Meeting of Shareholders. Please refer to the Company’s website for details.

(Notice of Convocation of the General Meeting of Shareholders:

<https://www.kyosan.co.jp/english/ir/stock02.html>)

[Supplementary Principle 4.11.2: Preconditions for the Board of Directors and Audit & Supervisory Board Effectiveness]

Directors and Audit & Supervisory Board Members may concurrently serve other significant positions to the extent reasonable, and the status of concurrent positions is included in the disclosure documents, such as Reference Documents for the General Meeting of Shareholders and Business Reports.

(Notice of Convocation of the General Meeting of Shareholders:

<https://www.kyosan.co.jp/english/ir/stock02.html>)

[Supplementary Principle 4.11.3: Preconditions for the Board of Directors and the Audit & Supervisory Board Effectiveness]

Based on the opinions from Directors and Audit & Supervisory Board Members, the Company strives to improve the method of operation and agenda items of the Board of Directors’ meetings in order to enhance the effectiveness of the Board. The Company also conducts an anonymous survey of the Directors and Audit

& Supervisory Board Members in relation to the Board of Directors aimed at further securing and improving the effectiveness of the Board.

By conducting an evaluation by the Board of Directors based on aggregation and analysis of the results of the survey, a certain degree of positive evaluation has been given to the effectiveness of the Board, taking into account an objective evaluation by a legal advisor. Efforts to secure and improve the effectiveness of the Board of Directors will be continuously implemented.

[Supplementary Principle 4.14.2: Director and Audit & Supervisory Board Member Training]

The Company encourages Directors and Audit & Supervisory Board Members to participate in classes hosted by the Company's departments in charge or external specialists, external seminars and other programs, as needed, to enable Directors and Audit & Supervisory Board Members to properly perform their respective duties.

[Principle 5.1: Policy for Constructive Dialogue with Shareholders]

In order to promote constructive dialogue with shareholders, the Company takes the following initiatives:

1. The Company engages more actively in constructive dialogues with shareholders to a reasonable extent through opportunities such as IR briefings, etc., held regularly by the Company in addition to General Meetings of Shareholders.
2. The Company strives to provide feedback to comments by shareholders received through dialogues to Directors and senior management, and appropriately reflect such comments in the Company's corporate activities.
3. The official in charge of the Corporate Planning & IR Department presides over the dialogue with shareholders, and the Corporate Planning & IR Department functions as a secretariat to disclose corporate information in a timely and appropriate manner and to promote further dialogue with shareholders.
4. As for conducting dialogues with shareholders, the Company appropriately manages insider information in accordance with the Company's internal regulations. To ensure fairness for all of its shareholders with regard to financial information, the Company refrains from answering questions and having dialogues concerning performance outlook during the period between the closing of each quarter and the announcement of its financial results.

[Achieving Management That is Conscious of Cost of Capital and Stock Prices] [Update date: 2025/5/15]

The Company's ROIC (5.0%) and ROE (9.4%) for the fiscal year ended March 2025 were higher than the Company's estimates of about 3% WACC and about 6% cost of equity as of the end of March 2025, respectively. However, since the cost of capital has been below market expectations for a long time, PBR has remained below 1 times. Therefore, we recognize that the level of these indicators of return on capital is still insufficient.

Based on the KYOSAN Next Step 2028 medium-term management plan, our company will focus on "Raising profit levels and improving ROE and ROIC itself" and aim to achieve ROIC of 6% and ROE of 10% by the fiscal year ending March 2028, the final year of the medium-term management plan.

While continuing to close the gap between investors' expectations and requirements through investor relations and other means, we believe that the most important thing for raising corporate value and, in turn, share price is to increase profitability of capital.

We aim to continuously increase corporate value by achieving the medium-term management plan and improving capital efficiency.

Aim to continuously increase corporate value by achieving the medium-term management plan targets and improving capital efficiency

[Target values for the Year ending March 31, 2028]

ROIC 6 %

ROE 10 %

Please refer to the following for more details:

<https://contents.xj-storage.jp/xcontents/67420/6c349a4f/1437/4df9/a3f2/02df548f392b/20250515122601146s.pdf>

2. Capital Structure

Percentage of Foreign Shareholders	Less than 10%
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Status of Major Shareholders

Name/Company Name	Number of Shares Owned	Percentage (%)
Nippon Life Insurance Company	6,089,000	9.70
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,888,600	9.38
Kyosan Mizuho Kai	5,165,317	8.23
Kyosan Electric Manufacturing Co., Ltd., Employee Shareholding Club	3,574,634	5.69
Keio Corporation	3,143,150	5.00
The Bank of Yokohama, Ltd.	3,124,000	4.97
Central Japan Railway Company	1,965,300	3.13
Custody Bank of Japan, Ltd. (Trust Account)	1,383,500	2.20
Meiji Yasuda Life Insurance Company	1,007,000	1.60
DFA INTL SMALL CAP VALUE PORTFOLIO	767,809	1.22

Controlling Shareholder (Except for Parent Company)	–
Parent Company	None

Supplementary Explanation

The information provided in “Status of Major Shareholders” is based on the Company’s shareholders registry as of March 31, 2025. Shareholding percentage has been calculated after deducting treasury stock (100,015 shares).

3. Corporate Profile

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime Market
Fiscal Year-end	March
Type of Business	Electric appliances
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Sales (Consolidated) for the Previous Fiscal Year	¥10 billion to less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Less than 10

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions, Etc., with Controlling Shareholder

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

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

1. Organizational Composition and Operation

Structure of Organization	Company with Audit & Supervisory Board Members
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Directors

Maximum Number of Directors Stipulated in Articles of Incorporation	10
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Outside Director
Number of Directors <u>Updated</u>	7
Appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1) Updated

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	K
Mihoko Kitamura	Lawyer											○
Hiroyuki Sasa	From Other Company											○
Asako Nagai	From Other Company											○
Tetsuya Nakano	From Other Company											○

* Categories for "Relationship with the Company":

“○” When the Director currently falls or has recently fallen under the category

“△” When the Director fell under the category in the past

“●” When a close relative of the Director currently falls or has recently fallen under the category

“▲” When a close relative of the Director fell under the category in the past

- Executive of the Company or its subsidiaries
- Non-executive Director or executive of a parent company of the Company
- Executive of a fellow subsidiary company of the Company
- A party whose major client or supplier is the Company 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 a Director/Audit & Supervisory Board Member
- Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a legal entity)

- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the Company's Outside Directors/Audit & Supervisory Board Members are mutually appointed (the Director himself/herself only)
- j. Executive of a company or an organization that receives a donation from the Company (the Director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2) Updated

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Mihoko Kitamura	○	—	<p>Mihoko Kitamura was registered as a lawyer with the Daini Tokyo Bar Association in April 2000 and with the State of New York in March 2011. She was appointed as Conciliation Commissioner of Tokyo Summary Court in April 2012.</p> <p>She has highly technical knowledge and broad insight from an international perspective accumulated in her career as a lawyer. The Company believes that she will improve transparency of the Board of Directors and strengthen its supervisory function by utilizing such experience and making proposals on the Company's overall management, and therefore appointed her as an Outside Director. She does not have any direct experience in corporate management, but is considered to be fully capable of performing her duties as an Outside Director for the reason stated above.</p> <p>A high level of independence as an independent Director has been confirmed. Accordingly, the Company has judged her to be well qualified for the position of independent Director.</p>
Hiroyuki Sasa	○	—	<p>After assuming the office of General Manager of Endoscope Business Planning Department, Olympus Optical Co., Ltd. (currently Olympus Corporation) in April 2001, Hiroyuki Sasa became Corporate Officer of Olympus Corporation and Director of Olympus Medical Systems Corp. in June 2007. He subsequently served as Representative Director and President of Olympus Corporation from April 2012 to March 2019.</p> <p>He has abundant experience in corporate management and technology and development, and broad knowledge from an international perspective</p>

			<p>accumulated through his service at Olympus Corporation. The Company believes that he will improve transparency of the Board of Directors and strengthen its supervisory function by utilizing such experience and making proposals on the Company's overall management, and therefore appointed him as an Outside Director.</p> <p>A high level of independence as an independent Director has been confirmed. Accordingly, the Company has judged him to be well qualified for the position of independent Director.</p>
Asako Nagai	○	—	<p>After assuming the office of General Manager, CSR Management Section, CSR Department, Sony Corporation (now Sony Group Corporation) in April 2012, Senior Advisor, BSR (U.S. Corporation) in April 2013, Asako Nagai served as the Director of BSR (U.S. Corporation) in July 2014 and currently serves as the Representative Director of BSR Japan and Managing Director of BSR (U.S. Corporation). She has global management experience and more than 20 years of experience in academic research, corporate practice, and consulting related to sustainability and ESG issues. The Company believes that she will improve the transparency of the Board of Directors and strengthen its supervisory function by utilizing such experience and making proposals in the areas of sustainability and human rights, on which we will focus our efforts in the future, and therefore appointed her as an Outside Director.</p> <p>A high level of independence as an independent Director has been confirmed. Accordingly, the Company has judged her to be well qualified for the position of independent Director.</p>
Tetsuya Nakano	○	—	<p>After assuming the office of Representative Director and President of Ajinomoto Philippines Corporation in June 2015, Tetsuya Nakano served as the Executive Officer and General Manager of Finance and Accounting Dept. of Ajinomoto Co., Inc. in June 2017 and Managing Executive Officer of Ajinomoto Co., Inc. in June 2019. He has abundant experience in corporate management, finance and IT and broad knowledge from an international perspective accumulated through his service at Ajinomoto Co.,</p>

			<p>Inc. The Company believes that he will improve transparency of the Board of Directors and strengthen its supervisory function by utilizing such experience and making proposals on the Company's overall management, and therefore appointed him as an Outside Director.</p> <p>A high level of independence as an independent Director has been confirmed. Accordingly, the Company has judged him to be well qualified for the position of independent Director.</p>
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Name of Voluntary Committee(s) Established, Composition of Committee(s), and Attributes of the Head of Committee(s) (Chairperson)

	Committee's Name	Number of Committee Members	Number of Full-Time Members	Number of Internal Directors	Number of Outside Directors	Number of External Experts	Number of Other Members	Head of Committee (Chairperson)
Committee Corresponding to Nomination Committee	Nomination and Remuneration Committee	6	0	2	4	0	0	Outside Director
Committee Corresponding to Remuneration Committee	Nomination and Remuneration Committee	6	0	2	4	0	0	Outside Director

Supplementary Explanation Updated

The Nomination and Remuneration Committee has been established as a voluntary advisory body of the Board of Directors with the aim of strengthening the supervisory function of the Board of Directors by ensuring the objectivity, fairness, and transparency of procedures for determining nomination and remuneration of Directors.

As an advisory body of the Board of Directors, the Nomination and Remuneration Committee deliberates on matters consulted on by the Board of Directors regarding the appointment and dismissal of Directors, remuneration decisions for Directors and other matters, and reports to the Board of Directors. The Committee comprises a total of six members: Ryoji Kunisawa, Representative Director, President, CEO; Toru Onodera, Director; Mihoko Kitamura, Outside Director; Hiroyuki Sasa, Outside Director; and Asako Nagai, Outside Director, Tetsuya Nakano, Outside Director;.

Audit & Supervisory Board Members

Establishment of the Audit & Supervisory Board	Established
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Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	4
Number of Audit & Supervisory Board Members	4

Cooperation Among Audit & Supervisory Board Members, Accounting Auditors, and Internal Audit Sector

The Audit & Supervisory Board Members regularly organize meetings with the Accounting Auditors, pertaining to accounting audits, and audit planning and reports on internal controls.

When any issues arise during a term, the Audit & Supervisory Board Members and Accounting Auditors discuss said issues immediately.

The Audit & Supervisory Board co-hosts meetings with the Internal Auditing Office to exchange information as appropriate. At these meetings, the Internal Auditing Office presents the Audit & Supervisory Board with a completed overview of audits, with both bodies engaging in an exchange of opinions regarding the audits.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	2
Number of Independent Audit & Supervisory Board Members	2

Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*												
		a	b	c	d	e	f	g	h	I	j	k	l	m
Fumio Nishimura	From Other Company							△						○
Yukino Enomoto	Lawyer													○

* Categories for "Relationship with the Company":

“○” When the Audit & Supervisory Board Member currently falls or has recently fallen under the category

“△” When the Audit & Supervisory Board Member fell under the category in the past

“●” When a close relative of the Audit & Supervisory Board Member currently falls or has recently fallen under the category

“▲” When a close relative of the Audit & Supervisory Board Member fell under the category in the past

- Executive of the Company or its subsidiary
- Non-executive Director or accounting advisor of the Company or its subsidiaries
- Non-executive Director or executive of a parent company of the Company
- Audit & Supervisory Board Member of a parent company of the Company
- Executive of a fellow subsidiary company of the Company
- A party whose major client or supplier is the Company 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 Audit & Supervisory Board Member
- Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a legal entity)
- Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)
- Executive of a company, between which and the Company's Outside Directors/Audit & Supervisory Board Members are mutually appointed (the Audit & Supervisory Board Member himself/herself only)

- l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
- m. Others

Outside Audit & Supervisory Board Members' Relationship with the Company (2)

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons for Appointment
Fumio Nishimura	○	The Bank of Tokyo-Mitsubishi, Ltd. (currently, MUFG Bank, Ltd.), where Fumio Nishimura held positions including Branch Manager, is a major lender to the Company, but he left the bank in 2010.	<p>After assuming office of General Manager of Tamachi Branch, The Bank of Tokyo-Mitsubishi, Ltd. (currently, MUFG Bank, Ltd.) in March 2001 and General Manager of Himonya Branch Office in May 2001, Fumio Nishimura became Managing Executive Officer, MST Insurance Service Co., Ltd. in June 2010. He subsequently served as Representative Director and Senior Managing Executive Officer of NIPPON CARBIDE INDUSTRIES CO., INC. from June 2016 to June 2018.</p> <p>He has financial knowledge accumulated through his years of service at financial institutions and broad insight based on his experience as a corporate manager. The Company believes that his supervision of corporate management and provision of effective advice may be utilized for the auditing systems of the Company, and therefore appointed him as an Outside Audit & Supervisory Board Member.</p> <p>A high level of independence as an independent Audit & Supervisory Board Member has been confirmed. Accordingly, the Company has judged him to be well qualified for the position of independent Audit & Supervisory Board Member.</p>
Yukino Enomoto	○	—	<p>Yukino Enomoto was registered as a lawyer with the Yokohama Bar Association (currently the Kanagawa Bar Association) in April 2000.</p> <p>She has highly technical knowledge and deep insight as an expert accumulated in her career as a lawyer. The Company believes that she will utilize them for the auditing systems of the Company, and therefore appointed her as an Outside Audit & Supervisory Board Member.</p> <p>A high level of independence as an independent Audit & Supervisory Board Member has been confirmed.</p>

			Accordingly, the Company has judged her to be well qualified for the position of independent Audit & Supervisory Board Member.
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Independent Directors/Audit & Supervisory Board Members

Number of Independent Directors/Audit & Supervisory Board Members	6
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Matters Relating to Independent Directors/Audit & Supervisory Board Members

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Incentives

Incentive Policies for Directors	Introduced performance-linked remuneration
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Supplementary Explanation Updated

Compensation paid to Officers of the Company consists of base remuneration which is set according to the scope of their roles and responsibilities and the extent of their influence on group management, a bonus as performance-linked remuneration which is determined in relation to financial results, and performance-based stock compensation (PSU) as a mid- and long-term incentive.

Recipients of Stock Options	
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Supplementary Explanation

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Remuneration for Directors

Disclosure of Individual Directors' Remuneration	No individual disclosure
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Supplementary Explanation Updated

[Actual results for FY2025]

The amount of remuneration, etc., for Directors and Audit & Supervisory Board Members is as follows.

Eight Directors: ¥264,800 thousand (including ¥42,900 thousand for Four Outside Directors)

Four Audit & Supervisory Board Members: ¥56,400 thousand (including ¥21,600 thousand for two Outside Audit & Supervisory Board Members)

(Notes)

1. The amount of remuneration for Directors is resolved to be within the limit of ¥540 million per year at the 153rd Ordinary General Meeting of Shareholders held on June 22, 2018.
2. The amount of remuneration for Audit & Supervisory Board Members is resolved to be within the limit of ¥72 million per year at the 154th Ordinary General Meeting of Shareholders held on June 21, 2019.

Policy on Determining Remuneration Amounts and Calculation Methods <u>Updated</u>	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The Company has approved the “Regulations for Directors’ Remuneration” at the Board of Directors’ meeting as the policy for determining the details of remuneration for each Director.

The details are as follows: regarding monetary remuneration, for Directors who concurrently serve as Executive Officers, base remuneration (set in the range from ¥3,000 thousand to ¥5,500 thousand per month per person based on the Table of Standard Directors’ Remuneration and the Table of Standard Executive Officers’ Remuneration) to be paid every month according to the scope of their roles and responsibilities and the extent of their influence on group management, etc., and a bonus as performance-linked remuneration (set in the range from ¥0 to ¥36,000 thousand per person based on the Table of Standard Directors’ Bonuses) to be paid in an amount determined in relation to financial results after a certain evaluation period has elapsed are to be paid. For Directors who do not concurrently serve as Executive Officers, taking into account the fact that their major role is to supervise business execution, only base remuneration (set in the range from ¥900 thousand to ¥1,200 thousand per month per person based on the Table of Standard Directors’ Remuneration) is to be paid. Regarding non-monetary remuneration, for Directors who concurrently serve as Executive Officers, stock compensation (set in the range from 0 shares to 159 thousand shares per person based on the performance share unit grant agreement) is to be paid as a mid- and long-term incentive for which the number of shares determined in relation to financial results are granted after a certain evaluation period has elapsed according to the scope of their roles and responsibilities and the extent of their influence on group management, etc.

Remuneration for Audit & Supervisory Board Members is determined by discussion among the Audit & Supervisory Board Members.

Supporting System for Outside Directors and/or Audit & Supervisory Board Members

The Company appoints four Outside Directors. The General Affairs & Legal Department is in charge of providing the necessary support with Outside Directors as the Secretariat of the Board of Directors.

The Company appoints two Outside Audit & Supervisory Board Members. Depending on the requirement of Audit & Supervisory Board Members, including Outside Audit & Supervisory Board Members, the Company works closely with the Internal Auditing Office and other related departments through the exchange of information. When Audit & Supervisory Board Members request dedicated or concurrent staff for Audit & Supervisory Board Members to assist them in their duties, appropriate personnel shall be assigned as necessary. At the present time, two employees from the Internal Auditing Office and other departments are concurrently serving as staff for Audit & Supervisory Board Members.

Status of person retired from Representative Director President, etc.

Name, etc. of Counsellors and Advisors Who Formerly Served as Representative Director President, etc.

Name	Position/rank	Job description
—	—	—
Working arrangement and conditions (Full-time/part-time, paid/unpaid, etc.)	Date of retirement from office	Term
—	—	—

Total number of counsellors and advisors who formerly served as Representative Director President, etc.

Nil

Other Matters

While the Company is allowed, under its Articles of Incorporation, to have counsellors and advisors, subject to the resolution of the Board of Directors, no one is currently serving in such capacity with serious involvement in the management of the Company. Even in the event that a person who retired from positions such as Representative Director should be appointed as a counsellor or advisor, his/her role shall be limited to the provision of advice, etc., as a former member of management, and shall not be involved in the actual management.

2. Functions of Business Execution, Auditing, Oversight, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System) Updated

[Current system concerning governance]

The Company has adopted the structure of a company with Audit & Supervisory Board Members aimed at maintaining and improving its corporate governance system by strengthening the functions of the Board of Directors while utilizing the supervisory function of the Audit & Supervisory Board Members.

The Company has also adopted an executive officer system. This system enhances and revitalizes the functions of the Board of Directors, which is the highest level of the Company's decision-making bodies and is in charge of supervising the Company's management, while improving and accelerating the execution of business by Executive Officers. Meanwhile, the Company has appointed Outside Directors and Outside Audit & Supervisory Board Members to reinforce the supervising and monitoring functions of its management.

Directors are appointed to terms of one year, to ensure that the Directors' management accountability is clear, strengthen management practices, and flexibly develop a management system that can respond quickly to changes in the operating environment.

Board of Directors

The Board of Directors consists of seven Directors (including four Outside Directors). The Board of Directors holds a regular meeting once a month, in principle, and an extraordinary meeting as necessary to deliberate, approve, and decide on matters provided by laws and regulations, matters related to management plans, and other important matters related to the organization, systems, personnel affairs, financial affairs, facilities, and labor agreements. The Board of Directors also supervises the execution of business.

In addition, the Nomination and Remuneration Committee has been established as a voluntary advisory body to the Board of Directors to strengthen the supervisory function of the Board of Directors to ensure objectivity, fairness, and transparency in the procedures for nominating Directors and determining their remuneration.

Corporate Strategy Council

The Corporate Strategy Council is chaired by the President and consists of General Managers of Headquarters and Divisions, etc.

The Corporate Strategy Council meets once a month, in principle, and an extraordinary meeting is held as necessary to discuss and decide on management issues that span the entire company or multiple departments, issues related to sustainability, and the status of execution of matters decided by the Corporate Strategy Council.

Executive Committee

The Executive Committee is chaired by the President and consists of Executive Officers, Full-Time Audit & Supervisory Board Members, and other persons designated by the President.

The Executive Committee meets once a month, in principle, and an extraordinary meeting is held as necessary to discuss and decide on matters related to business execution to be brought before the Board of Directors, matters related to the execution of decisions made by the Board of Directors or the Corporate Strategy Council, matters related to business execution by each department based on management plans, and important matters related to sales, technology, and production.

Audit & Supervisory Board

The Audit & Supervisory Board consists of four members (including two Outside Audit & Supervisory Board Members.)

The Audit & Supervisory Board decides audit policies, receives reports on audits from each Audit & Supervisory Board Member, and receives reports on audits from the Accounting Auditors as needed. The Audit & Supervisory Board works closely with Accounting Auditors, the Internal Auditing Office, and Audit & Supervisory Board Members of subsidiaries to keep track of the operational status of internal control.

Audit & Supervisory Board Members attend the Board of Directors' meetings and other important meetings related to management to check the soundness of management and transparency of the decision-making process. The Audit & Supervisory Board Members also primarily verify the legality, appropriateness and validity of Directors' execution of duties through reports from Directors and the review of critical corporate authorization documents. Internal Audit & Supervisory Board Members attend Executive Committee meetings and report the details thereof at Audit & Supervisory Board meetings.

[Roles and Functions of Outside Directors and Outside Audit & Supervisory Board Members]

Outside Directors supervise corporate management as a whole and provide effective advice based on their expertise gained through their particular experience in corporate management and law. Outside Audit & Supervisory Board Members enhance monitoring and auditing functions from the standpoint of their professional perspectives gained through their particular experience in finance and law.

In the selection of Outside Director candidates, the Company has its own standards, namely whether they meet the requirements for Outside Directors stipulated by the Companies Act and the independence criteria prescribed by the Tokyo Stock Exchange, and whether they are qualified as a specialist with professional knowledge required for corporate management, have experience in corporate management, or have equivalent skills. Based on the criteria, the Company selects individuals as Independent Outside Director candidates who are deemed to have the potential to fulfill their duties as Outside Director of the Company by leveraging their broad and professional insight.

These Outside Directors and Outside Audit & Supervisory Board Members endeavor to improve and revitalize the Board of Directors' highest level of decision-making and management supervisory functions from their objective and professional standpoint. Accordingly, the Company believes that the management supervisory and monitoring functions are adequately performed.

3. Reasons for Adoption of Current Corporate Governance System

The Company has chosen to operate with an Audit & Supervisory Board. In doing so, the Company can maintain and improve its system of corporate governance by enhancing the functions of the Board of Directors, while benefiting from the supervisory function of Audit & Supervisory Board Members.

The Company has adopted an executive officer system. This system enhances and revitalizes the functions of the Board of Directors, which is the highest level of the Company's decision-making bodies and is in charge of supervising the Company's management, while improving and accelerating the execution of business by Executive Officers. Meanwhile, the Company has appointed Outside Directors and Outside Audit & Supervisory Board Members to reinforce the supervising and monitoring functions of its management.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Revitalize the General Meeting of Shareholders and Facilitate the Smooth Exercise of Voting Rights **Updated**

	Supplementary Explanations
Early Notification of General Meeting of Shareholders	To allow shareholders to have ample time to carefully review proposals, the Company promptly disclose the Notice approximately four weeks prior to the date of the meeting through the Company's website, the website of Tokyo Stock Exchange, Inc. and others. The Notice of Convocation of the 160th Ordinary General Meeting of Shareholders of the Company, which was held on Wednesday, June 25, 2025, was made public on those websites on Monday, May 26, 2025 and sent on Friday, June 6, 2025.
Scheduling Annual General Meeting to Avoid the Peak Time	The Company holds the General Meeting of Shareholders on a date other than the so-called "peak time" so that as many of its shareholders as possible can attend the meeting.
Exercise of Voting Rights via Electromagnetic Means	From the General Meeting of Shareholders held in June 2021, the digitalization of the exercise of voting rights has been implemented.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Improve the Environment for the Exercise of Voting Rights by Institutional Investors	The Company introduced a platform for the electronic exercise of voting rights from the General Meeting of Shareholders held on June 2022.
Providing Convocation Notice in English	An English translation is posted on the Company's website. (https://www.kyosan.co.jp/english/ir/stock02.html)

2. IR Activities

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	Information regarding the Company's basic policy and methods for information disclosure, treatment of forward-looking and relevant materials, quiet periods, and policy compliance is posted on the Company's website. (https://www.kyosan.co.jp/english/ir/disclosure.html)	
Regular Investor Briefings for Analysts and Institutional Investors	A briefing session for the financial results for the fiscal year and the second quarter (interim) has been held. The relevant reference materials and the video, etc., are posted on the Company's website. (https://www.kyosan.co.jp/english/ir/library02.html)	Yes
Posting of IR Materials on Website	Timely disclosure information, including financial results, company explanatory materials, and basic policy on internal controls, is posted on the Company's website. (https://www.kyosan.co.jp/english/ir/library08.html)	
Establishment of Department and/or Appointment of Manager in Charge of IR	The Corporate Planning & IR Department is in charge of investor relations.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Company's stakeholder-focused management philosophy is clearly expressed in the Code of Conduct and "Kyosan Group Human Rights Policy," and the Company keeps all officers and all employees within the Company and its subsidiaries well informed.
Implementation of Environmental Activities, CSR Activities, etc.	The Company has identified "Contributing to a decarbonized society" as one of its key management issues (materialities) and is promoting initiatives aimed at contributing to a decarbonized society as a basic strategy under its mid-term management plan "KYOSAN Next Step 2028." In addition, the Company has obtained ISO 14001 certification and continuously improves and operates an environmental management system. The Company publishes Corporate Report by combining environmental report and Annual Report into one from FY2018. (https://www.kyosan.co.jp/english/ir/library07.html)
Development of Policies on Information Provision to Stakeholders	The Company has set forth matters concerning proactive disclosure in the Code of Conduct and posted its disclosure policies on the Company's website. (https://www.kyosan.co.jp/english/ir/disclosure.html)

IV. Matters Related to the Internal Control System

1. Basic Approach to Internal Control System and the Progress of System Development **Updated**

The Company believes that excellent governance means operating businesses that enhance the corporate value of the Company for all stakeholders, through fair and open businesses managed from a long-term perspective as a going concern that balances both environmental and social considerations, while aiming to maximize shareholder value. Based on this principle, we strive to establish healthy and functional corporate governance, and to build a corporate ethics system that ensures the transparency and soundness of corporate activities.

As a company that is engaged in businesses deeply linked to public needs, public interests and community safety, we believe that it is essential to have a strong sense of responsibility, integrity and ethics, while complying with laws, regulations and community standards. Based on this belief, we have created and are operating an internal control system for the Company, including its subsidiaries.

- Compliance

The Company has appointed President as chief administrator of compliance (Compliance Officer).

The Company and its subsidiaries make every effort to comply fully with laws, regulations, rules, social and corporate standards of ethics, and the Code of Conduct.

- Risk management

The Company has appointed President as chief administrator of risk management (Risk Management Officer).

To strengthen risk management, the Company and its subsidiaries have established a risk management system based on the “Risk Management Regulations.”

- Internal audit

The Audit & Supervisory Board evaluates the development and operation condition of the internal control system. Furthermore, the Board assesses the risk related to the business execution of the Company and its subsidiaries, and requests improvements/offers opinions based on audits of the effectiveness, efficiency and legality of business operations.

[Status on development]

1. Systems to ensure that the execution of duties by Directors and employees of the Company and directors, etc. (directors and other individuals equivalent thereto), and employees of subsidiaries complies with laws and regulations and the Articles of Incorporation
Audit & Supervisory Board Members primarily audit the legality, appropriateness and fairness of the execution of duties by Directors. In the event of any act that violates or may violate laws and regulations or the Articles of Incorporation at the Company or its subsidiaries, Audit & Supervisory Board Members take the necessary measures, such as providing Directors with recommendations and advice.
2. Systems for the storage and management of information concerning the execution of duties by Directors
Documents and information concerning the execution of duties by Directors are properly managed by the Company in accordance with laws and regulations.
3. Regulations and other systems for the management of the risk of loss of the Company and its subsidiaries
The Company has established the Risk Management Committee to recognize, analyze, and control the operational risks of the Company and its subsidiaries. The Management and Financial Risk Committee, the Disaster Risk Committee, and the Information Risk Committee have been set up as individual committees for risk management under the Risk Management Committee. While the head of each individual committee for risk management reports without delay on its activity status to the Risk Management Committee, the head of the Risk Management Committee makes reports at his/her discretion to the chief administrator of risk management.
4. Systems to ensure that Directors and directors, etc., of subsidiaries execute their duties efficiently
Directors and directors, etc., of subsidiaries have developed specific actions to achieve management targets based on an annual management plan and ensure that they take such actions.

The Board of Directors confirms the status of execution of duties by Directors and directors, etc., of subsidiaries, and makes necessary decisions.

5. Systems to ensure the appropriateness of operations of the Company and its subsidiaries
The Company ensures the appropriateness of business operations by communicating important matters such as its management policies at the Board of Directors' meetings and other meetings and by holding liaison meetings with its subsidiaries. In addition, based on the Affiliated Companies Administration Regulations, the Corporate Planning & IR Department receives reports on important matters from subsidiaries on the status of execution, etc., periodically or as necessary, to confirm the appropriateness of business operations. Subsidiaries, as well as the Company, are subject to audit by the Internal Auditing Office, which audits their business and evaluates the status of development and operation of internal control systems.
6. Matters concerning employees appointed to assist the duties of Audit & Supervisory Board Members at their request
At the request of Audit & Supervisory Board Members, the Company assigns dedicated or concurrent staff for Audit & Supervisory Board Members to assist them in their duties. When assigning dedicated or concurrent staff for Audit & Supervisory Board Members, the Company ensures that they are independent from executives related to the services of the staff for Audit & Supervisory Board Members. Also, to ensure the effectiveness of instructions from Audit & Supervisory Board Members, the staff for Audit & Supervisory Board Members shall not receive directions or orders from the Company.
7. Systems for reporting to Audit & Supervisory Board Members and systems to ensure that persons who have made reports are not treated unfavorably due to such reports
When a risk that could have a material impact on the Company or its subsidiaries exists, all officers and all employees of the Company and its subsidiaries report the details of the risk to Audit & Supervisory Board Members. Furthermore, based on the regulations, the head of the Compliance Committee reports to Audit & Supervisory Board Members the content and research results, etc., of reporting made by employees through the Help Line.
8. Systems to ensure that the audit of Audit & Supervisory Board Members is carried out effectively
Audit & Supervisory Board Members meet with Representative Directors regularly to exchange opinions on management policies, issues and risks to be addressed by the Company, progress on the development of the environment for audit of Audit & Supervisory Board Members, important auditing issues, and other matters. Audit & Supervisory Board Members also exchange information with Directors, Executive Officers, and Accounting Auditors regularly, and request a report when appropriate and necessary.

Please refer to the Company's website for details of resolutions concerning the internal control system.
(<https://contents.xj-storage.jp/xcontents/67420/cad9cb5e/5aac/4449/8bdf/b15c98f87261/20250625160329853s.pdf>)

2. Basic Approach to Eliminating Anti-social Forces

To eliminate any anti-social forces, the Code of Conduct stipulates that we shall take a firm stance against anti-social forces, and every effort is made to ensure that all officers and all employees within the Company and its subsidiaries are thoroughly aware of the Regulations. Classes for the Company and its subsidiaries are held on a regular basis to ensure the transmission of essential information.

V. Other

1. Adoption of Anti-takeover Measures

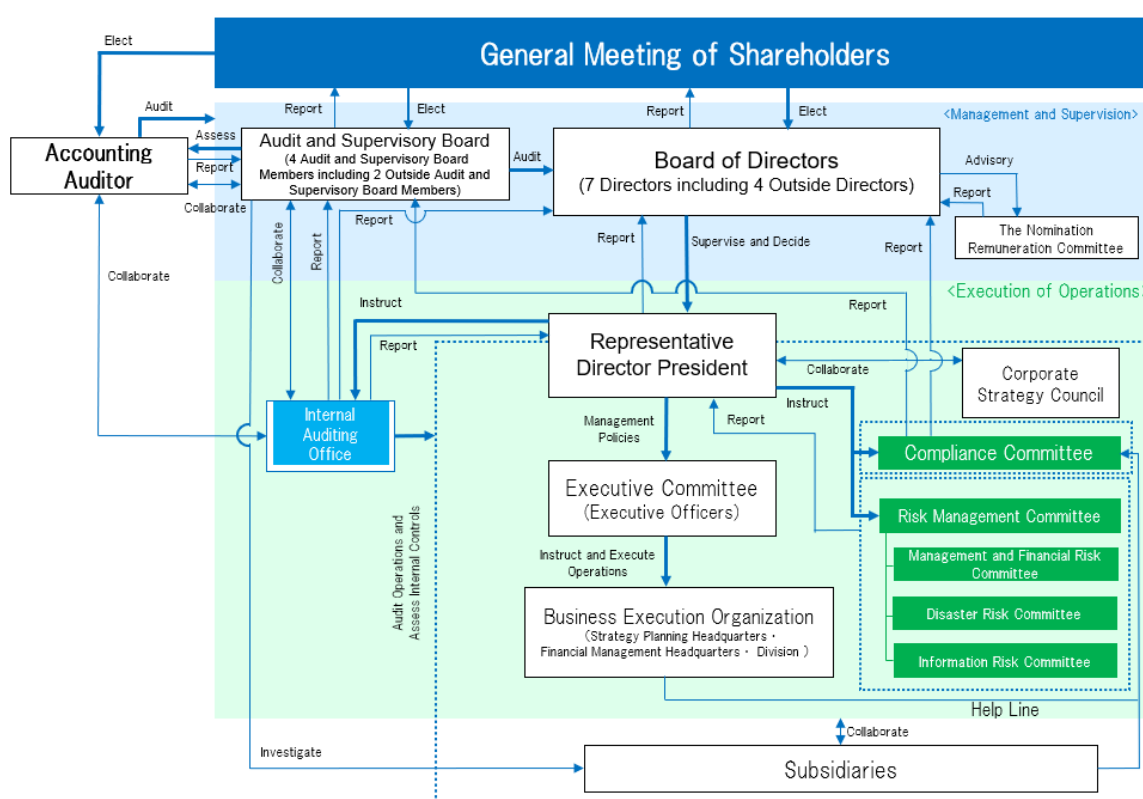
Adoption of Anti-takeover Measures	Adopted
Supplementary Explanation	Updated

In accordance with the basic policies, in consideration of the revision of laws and regulations and the trend in society toward defensive measures against takeovers, the Company reviewed the measures to secure and further improve its corporate value and the common interests of its shareholders. As a result, it was resolved at the Board of Directors' meeting held on Wednesday, May 14, 2025, that the Company would amend its existing defensive measures against takeovers to meet the current needs and continue to pursue them subject to approval of shareholders at an Ordinary General Meeting of Shareholders, which was approved and adopted as proposed at the 160th Ordinary General Meeting of Shareholders of the Company held on Wednesday, June 25, 2025.

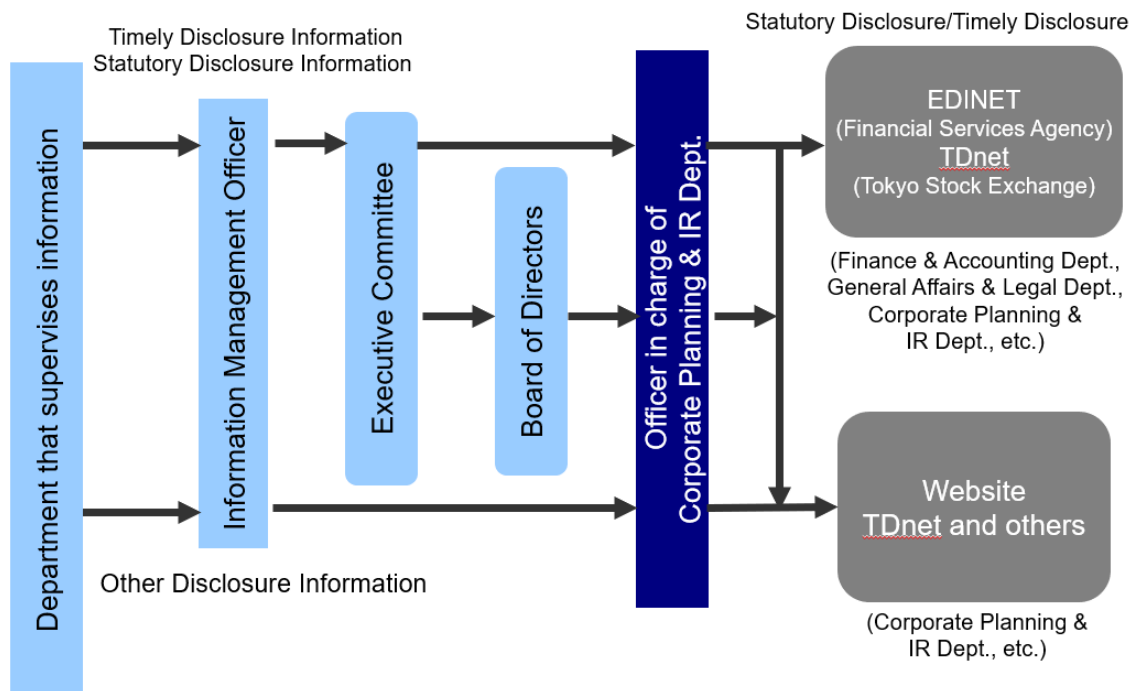
Please refer to the Company's website for more details of this plan. (<https://contents.xj-storage.jp/xcontents/67420/89aecb82/2569/4dd9/9407/fab998609cb6/20250515122812854s.pdf>)

2. Other Matters Concerning Corporate Governance System Updated

Correlation diagram of internal control based on the corporate governance system



Our Information Disclosure System



*The point of contact for the disclosed materials is the General Manager in charge of the preparation of such disclosed materials.