

# Corporate Governance Report

CORPORATE GOVERNANCE

F-TECH INC.

Last Update: June 27, 2025

**F-TECH INC.**

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<https://www.ftech.co.jp/en/>

The corporate governance of F-TECH INC. (the “Company”) is described below.

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

### 1. Basic Views

The Company will respond to the trust of its many shareholders and conduct management that places importance on a wide range of stakeholders, including business partners, creditors, local communities, and employees, while aiming to maximize shareholder value through the sustainability of the company and the improvement of corporate value over the medium to long term. Corporate governance is the system for achieving these objectives in a transparent, fair, and timely manner, and the Company will strive to enhance and strengthen corporate governance that is appropriate for the business environment as one of the most important management issues.

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

The Company implements all principles of the Corporate Governance Code.

### [Disclosure Based on each Principle of the Corporate Governance Code]

The Company has established the “F-tech Corporate Governance Guidelines” based on a resolution of the Board of Directors to set forth its basic principles, framework, and operational policies concerning corporate governance. These guidelines are disclosed on the Company’s website, and we ask that you refer to them as well.  
(<https://sustainability.ftech.co.jp/documents/F-TECH-INC-Corporate-Governance-Guideline.pdf>)

[Principle 1-4] Policies on Strategic Shareholdings and Exercising Voting Rights

The Company has established the following policy concerning strategic shareholdings in the Corporate Governance Guidelines.

(Article 7 Policy on Strategic Shareholdings)

When it is deemed to contribute to the establishment of long-term, stable relationships with business partners and to the enhancement of the Company’s corporate value over the medium to long term, the Company may hold shares of the company concerned.

The Company’s Board of Directors shall review the significance of strategic shareholdings annually from the perspectives of the purpose of holding, dividend income, other economic rationalities, and risks associated with holding.

As a result of reviewing the significance of strategic shareholdings, in cases where it is determined that there will not be expected positive effects on the enhancement of the Company’s corporate value over the medium to long term, the Company will reduce such strategic shareholdings in consideration of stock prices and market trends.

The Company shall exercise voting rights related to strategic shareholdings based on comprehensive judgments after examining the content of the proposals, taking into account the management policies of the issuing company, as such voting rights are an important means of enhancing the corporate value of the company and contribute to the enhancement of the Company’s corporate value and the maximization of shareholder value.

The Company shall not engage in transactions that lack economic rationality with companies that hold the Company’s shares as strategic shareholdings. Furthermore, if such companies indicate their intention to sell the Company’s shares, the Company shall not prevent such sale.

[Principle 1-7] Related Party Transactions

The Company has adopted a policy of requiring the approval of the Board of Directors for transactions between Directors, Operating Officers, and the Company. In addition, the Company has established the following policy in the Corporate Governance Guidelines.

(Article 9 Related Party Transactions)

In order to protect the interests of shareholders, when an officer of the Company engages in a transaction that constitutes a conflict of interest, after examination by the legal affairs section, the Board of Directors shall confirm and approve the transaction based on considerations of the appropriateness and economic rationality of the transaction details, such as whether the transaction terms are equivalent to those of general transactions. In addition, even after approval, the status of the relevant transaction shall be reported to the Board of Directors on a regular basis.

With regard to transactions between the Company and its major shareholders, the appropriateness and reasonableness of the transaction details shall be confirmed, and the legal affairs department shall conduct an examination in advance as necessary. If the transaction conditions are not equivalent to those of general transactions, the approval of the Board of Directors shall be obtained.

[Supplementary Principle 2-4-1] Ensuring Diversity in the Appointment of Core Personnel, etc.

The Company has established the following policy in the Corporate Governance Guidelines.

(Article 12 Ensuring Diversity within the Company)

The Company recognizes that the presence of diverse human resources, regardless of gender, nationality, race, etc., is a source of its corporate values and creative power, and is essential for enhancing corporate value, therefore the Company is establishing an environment in which diverse human resources can demonstrate their abilities.

The Company has established a policy for human resource development and internal environment improvement aimed at ensuring diversity, through which it sets forth its approach to ensuring diversity in core human resources, such as the appointment of women, foreign nationals, and mid-career hires to management positions, and measurable targets.

< Ensuring Diversity in the Appointment of Core Personnel, etc.>

(1) “Approach to Ensuring Diversity”

The Company has established “Respect for Humanity” as one of its corporate philosophies, and believes that it is essential for the growth of the Company that employees recognize each other’s values regardless of gender, nationality, race, etc., and create new value from diverse perspectives. Accordingly, the Company will actively strive to ensure diversity.

(2) “Voluntary and Measurable Targets and Their Status”

(Female Managers)

The Company has been actively working to establish an environment where female employees can demonstrate their abilities, including obtaining the “Kurumin” certification logo from the Minister of Health, Labour and Welfare as a “childcare supporting company.” In April 2019, a woman was appointed to a department manager position for the first time, and in April 2024, the first female operating officer was appointed. Additionally, in order to reflect the opinions of female employees in business operations, town meetings with female employees are held by the President. To ensure diversity among the managers who support the executive team, the Company aims to at least double the number of female managers in the fiscal year ending March 31, 2026 compared to the fiscal year ended March 31, 2021, and to increase the percentage of female managers to at least 10% of all managers by the fiscal year ending March 31, 2031. (Percentage of female managers as of March 31, 2025: 1.3%)

(Foreign National Managers)

Approximately 90% of net sales of the Group are generated overseas, and the Company is actively promoting globalization of human resources in line with the globalization of the business. In order to recruit global human resources, including foreign nationals, the Company is conducting recruitment activities overseas. Additionally, in Japan, the Company began setting a target number for global human resources in its recruitment plan for new graduates, starting from the fiscal year ended March 31, 2024. As of March 31, 2025, while there were over 100 foreign national managers across the entire Group, the number of foreign national managers at the Company stood at one. The Company plans to increase the number of foreign national managers and foreign national employees by March 31, 2026 compared to those as of March 31, 2022 (as of March 31, 2022: 1 foreign national manager and 14 foreign national employees).

(Mid-Career Hire Managers)

The Company hires mid-career employees who can contribute immediately, and the percentage of mid-career hires in manager positions was 29.7% as of March 31, 2025. The Company plans to maintain this level in the fiscal year ending March 31, 2026.

[Principle 2-6] Role as a Corporate Pension Asset Owner

Regarding the Company’s corporate pension plan and the corporate pension fund in which the Company participates, the management of accumulated funds is entrusted to multiple asset management institutions, which are responsible for selecting individual investment targets and exercising voting rights. This is done to prevent conflicts of interest between the beneficiaries of the corporate pension plans and the Company.

In order for the fund to enhance its expertise in asset management and to enable it to perform functions such as monitoring asset management institutions, the Company dispatches officers and employees with expertise in finance and human resources to the fund. Through deliberations at the Asset Management Committee, which meets quarterly, the Company confirms the overall soundness of the fund’s operations.

[Principle 3-1] Full Disclosure

(Principle 3-1 (1))

The Company has established the following management philosophy and strategies.

(1) Corporate Philosophy

The Company upholds the following mission statement and management policies as the principles of our business activities, and all executives and employees are committed to putting them into practice.

- Mission Statement

From a global perspective, we strive to contribute to our society and to improve the quality of life through manufacturing of highest quality products with ambition and sincerity.

- Management Policies

Our company shall be based on harmony and sincerity of all employees.

Our company shall let theories come to terms with practices.

Our company shall maintain Youthfulness with ever producing new ideas.

Our company shall produce values with better quality products.

Our company shall pay respect to harmony with local communities.

(2) Strategies

- Company Policy

The Company contributes to society by improving earning power and achieving sustainable growth.

<Back to Basics, Challenge for New>

- Business Strategies

<Back to Basics>

1. Enhance Earning Power

The Company will enhance earning power by pursuing the essence of Monozukuri (manufacturing) and linking it to improved profitability.

2. Build a Sound Financial Structure

The Company will build a sound financial structure by producing results from investments in the 14th Mid-Term Business Plan period, controlling investments, and reinforcing management through monitoring.

<Challenge for New>

1. Pursue Strategic Growth Business Opportunities

The Company will aim to expand EV commercial rights in North America through the establishment of a new subsidiary in North America, maximize development efficiency, and establish new technologies.

2. Build Sustainability Management

The Company will enhance corporate value through ESG management initiatives. The Company will formulate policies and implement sustainability across the organization.

(Principle 3-1 (2))

The Company will respond to the trust of its many shareholders and conduct management that places importance on a wide range of stakeholders, including business partners, creditors, local communities, and employees, while aiming to maximize shareholder value through the sustainability of the company and the improvement of corporate value over the medium to long term. Corporate governance is the system for achieving these objectives in a transparent, fair, and timely manner, and the Company believes that it is essential to strive to enhance and strengthen corporate governance that is appropriate for the business environment as one of the most important management issues. Based on this belief, the Company discloses its policies in the Corporate Governance Guidelines, etc.

(Principle 3-1 (3))

The Company has established the following policies and procedures for determining the remuneration for Directors and Operating Officers.

(Determination of Remuneration for Directors and Operating Officers)

1. Remuneration for Directors and Operating Officers consists of a basic remuneration determined by position and paid monthly at a fixed amount, bonuses determined based on the performance of each fiscal year and the status of business execution, and stock remuneration determined in accordance with medium- to long-term performance. This structure is designed to provide appropriate incentives for the Company's performance and the enhancement of corporate value over the medium to long term.

2. Regarding remuneration for Directors and Operating Officers, the Nomination and Remuneration Committee shall deliberate in response to the consultation of the Board of Directors and submit the resulting recommendations to the Board of Directors. The Board of Directors shall respect these recommendations, deliberate, and make resolutions.

(Principle 3-1 (4)) (Policies and Procedures for Appointment and Dismissal of Officers)

The Company has established the following policies in the Corporate Governance Guidelines.

(Article 27 Appointment and Dismissal of Management Executives, Nomination of Director Candidates)

Regarding the appointment and dismissal of management executives and the nomination of Director candidates, the Nomination and Remuneration Committee shall deliberate based on the criteria for selecting candidates for officers in response to the consultation of the Board of Directors and submit the resulting recommendations to the Board of Directors. The Board of Directors shall respect these recommendations, deliberate, and make resolutions.

(Criteria for Selecting Candidates for Officers)

- (1) Physical and mental health
- (2) High moral character, strong sense of ethics and compliance, and highly respected by others
- (3) Excellent foresight and insight
- (4) Possess ability to make objective judgments concerning management

In the case of Outside Directors, the following additional requirements apply:

- (5) Possess management experience, achievements, insight, etc. in their field of expertise
- (6) Be able to secure sufficient time to fulfill their duties as a Director of the Company
- (7) Be able to fulfill their supervisory function from an independent standpoint at the Board of Directors and contribute to the realization of appropriate decision-making and management supervision

(Principle 3-1 (5)) Explanations With Respect to Appointment, Dismissal and Nomination of Officers

The Company has established the following policies in the Corporate Governance Guidelines.

(Article 14 Appropriate Disclosure of Information)

Same as the description in [Supplementary Principle 3-1-3] below.

The Company discloses the reasons for the appointment of candidates for Directors, including outside Directors, etc. in the reference documents for the notice of the annual general meeting of shareholders.

(<https://www.fttech.co.jp/en/ir/ir-document/#sub03>)

[Supplementary Principle 3-1-3] (Initiatives for Sustainability)

The Company has established the following policies in the Corporate Governance Guidelines.

(Article 14 Appropriate Disclosure of Information)

The Company strives to build relationships of trust with all stakeholders, including shareholders, and discloses information not only as required by laws and regulations, but also provides information such as management policies, financial conditions, business initiatives, and the individual reasons for the appointment and dismissal of management executives and the nomination of candidates for Directors and Auditors in a fair and easy-to-understand manner to ensure management transparency.

Regarding sustainability, the Company collects and analyzes necessary data and discloses information with an awareness of internationally established frameworks, etc. In order to obtain evaluation in the global capital market, the Company is promoting disclosure of information in English to the extent deemed reasonable.

The Company recognizes that proper audits by external financial Auditors are essential for appropriate disclosure of information, and provides the following appropriate audit environment.

- Ensuring sufficient audit time
- Ensuring meetings with management executives such as the President & CEO and officers in charge of accounting
- Ensuring information exchange and cooperation with Auditors, the Internal Audit Office, etc.
- Appropriate response to issues pointed out by external financial Auditors

<Initiatives for sustainability>

The Company has established the Basic Policy on Sustainability as follows.

“Based on our mission statement, corporate philosophy, and action guidelines, we will strive sincerely to solve global issues and enhance our corporate value through our business activities in the aim of realizing a society with sustainable mobility.”

The Company’s policies, principles, and initiatives regarding sustainability, ethics, human rights, and labor are disclosed in Articles 11, 14, and 15 of the F-tech Corporate Governance Guidelines and in the F-tech Integrated Report.

For more details, please refer to the Company’s website.

(<https://sustainability.fttech.co.jp/documents/Integrated-Report-2024-ENG.pdf>)

<Investments in Human Capital and Intellectual Property, etc.>

(1) Human Capital

Regarding investment in human capital, the Company aims to create a healthy and comfortable working environment that promotes diversity in work styles and human resource development in order to promote “ensuring diversity” as described in

Supplementary Principle 2-4-1. The following initiatives have been recognized, and the Company has obtained Platinum Certification as a “Diverse Work Style Practice Company” from Saitama Prefecture.

(Support for Balancing Childcare and Nursing Care)

In addition to holding individual consultation sessions for employees who wish to take leave or work shorter hours for reasons such as childcare, the Company also holds information sessions for managers on improving the workplace environment. Furthermore, in order to encourage male employees to take childcare leave, the Company confirms the eligible employees’ intention to take childcare leave.

(Flexible Work System)

The Company operates a flextime work system that allows employees to select their settlement period based on the actual conditions of each workplace. The Company has set a target of zero days of annual paid leave expiring due to the statute of limitations, and general employees have achieved this target for 26 consecutive years.

(Retiree Rehire System)

In July 2019, the Company launched the “Takumi” (mentor) system to provide a new way for rehired retirees to work, boosting retirees’ motivation while passing on their skills. Our talented workers with advanced skills in various fields are recognized as “takumi,” and they play the role of instructors. Their remuneration is determined according to their responsibilities. For details, please refer to the Company’s website.

(<https://sustainability.ftech.co.jp/documents/Integrated-Report-2024-ENG.pdf>)

(2) Intellectual Property

For details, please refer to initiatives in development, financial results briefing materials, and other IR-related materials, as well as securities reports on the Company’s website.

(<https://www.ftech.co.jp/en/development/>)

(<https://www.ftech.co.jp/en/ir/ir-document/>)

<Response to Climate Change>

The Company considers response to climate change to be one of the most important management issues and discloses information in the integrated report based on the TCFD’s “Governance,” “Strategy,” “Risk Management,” and “Metrics and Targets.”

(<https://sustainability.ftech.co.jp/documents/Integrated-Report-2024-ENG.pdf>)

[Supplementary Principle 4-1-1] (Matters to be Decided by the Board of Directors and Scope of Delegation to Management)

The Company has established the Board of Directors as the decision-making and supervisory body for management, and the Management Meeting as the deliberative and resolution-making body for the execution of business. The Board of Directors shall make decisions on matters prescribed by laws and regulations, such as matters related to the General Meeting of Shareholders and financial results, as well as important matters such as management policies, management strategies, and management plans. The Management Meeting, which consists of the Representative Director, other Directors, Auditors, Operating Officers, etc., make decisions on important matters other than those resolved by the Board of Directors.

Additionally, regarding receiving orders, development, and production planning for new products, the Company holds the SED (or Sales, Engineering and Development) Meeting attended by the Representative Director and Operating Officers, etc. from the Sales, Engineering and Development Divisions, etc., where sufficient deliberation is conducted prior to resolution at the Board of Directors or Management Meeting.

For matters not covered above, the authority of Operating Officers is clearly defined in the Regulations for Administrative Authority.

Important matters resolved at the Management Meeting are reported to the Board of Directors, which supervises the execution of business operations.

(Article 16 Resolution of the Board of Directors and Scope of Delegation)

The Board of Directors shall resolve matters specified by laws and regulations, such as matters concerning the General Meeting of Shareholders and financial results, as well as important matters such as medium- to long-term management strategies, management plans, and matters concerning Directors.

The Board of Directors may delegate important resolutions concerning business execution to the Management Meeting, Directors, Operating Officers, etc.

Matters delegated to Directors, Operating Officers, etc. that are particularly important shall be deliberated by the Management Meeting, which consists of the Representative Director and Operating Officers.

[Principle 4-9] (Independence Criteria for Outside Officers and Selection of Appropriate Candidates)

The Company has established the following policy in the Corporate Governance Guidelines.

(Article 25 Independence Criteria for Independent Outside Director and Independent Outside Auditor)

The Company has established the following independence criteria for selecting candidates for independent outside director and independent Outside auditor. The highest priority is given to the requirement that there is no conflict of interest between Outside officers and general shareholders, and those falling under any of the following criteria shall not be deemed to be independent.

1 A person who is currently falling under any of (1) to (8)

- (1) A business executive of the Group
- (2) An entity or its business executive where the Group is a major business partner, and that has derived 2% or more of its annual consolidated net sales from transactions with the Company in the most recent business year
- (3) An entity or its business executive that is a major business partner of the Group, with the Group having derived 2% or more of its annual consolidated net sales from transactions with the entity or its business executive in the most recent business year
- (4) An entity or its business executive that is an important provider of funds for the Company, such that the value of funds provided to the Group is 2% or more of the Group's consolidated total assets
- (5) A major shareholder of the Company (who owns 10% or more of the voting rights, whether directly or indirectly), or its business executive
- (6) A certified public accountant, or employee, partner or staff of an audit firm, serving as financial Auditor to the Group
- (7) A certified public accountant, tax accountant, legal expert or other consultant who receives monetary or other financial benefits totaling JPY 10 million or more in annual compensation excluding officers' compensation from the Group (including the person belonging to the organization if the one who received the relevant property is an organization such as corporation, association or office)
- (8) A person who belongs to law firms, audit firms, tax accountant offices or consulting companies that receive monetary consideration or other property from the Group totaling 2% or more of their annual consolidated net sales
- 2 A person who has fallen under any of items (2) through (8) within the past 5 years
- 3 Spouse or relative within the second degree of kinship of a person falling under any of the above items (provided that such relative holds a significant position)
- 4 A person whose cumulative tenure as an Outside officer of the Company exceeds 8 years
- (Note 1) Business executive shall mean an Executive Director, Executive Officer, Operating Officer, manager or other such employee (excluding auditors)
- (Note 2) The Group shall mean the Company and its subsidiaries
- (Note 3) Significant position shall mean a position such as Director, Operating Officer, General Manager or equivalent level, certified public accountant of an audit firm or accountant office, or attorney at law belonging to a law firm (including so-called associates).

(Article 27 Appointment and Dismissal of Management Executives, Nomination of Director Candidates)  
(Criteria for Selecting Candidates for Officers) Same as described in (Principle 3-1 (4)) above

[Supplementary Principle 4-10-1] (Utilization of Voluntary Systems)

The Company has established the following policy in the Corporate Governance Guidelines.

(Article 26 Nomination and Remuneration Committee)

The Company has established the Nomination and Remuneration Committee as a voluntary advisory committee under the Board of Directors to enhance the transparency of the management structure. The Committee shall consist of three or more members, and a majority of the members shall be independent Outside directors. The Committee shall deliberate on the following matters based on the consultation of the Board of Directors and report the results to the Board of Directors. The Board of Directors shall respect the report and deliberate on the matters.

- (1) Matters concerning the appointment policy and nomination procedures for directors and operating officers (delegated type)
- (2) Matters concerning proposals for the nomination or dismissal of Directors to be submitted to the General Meeting of Shareholders
- (3) Matters concerning the selection, dismissal, and division of duties of the Representative Director and Directors with operational responsibilities to be submitted to the Board of Directors
- (4) Matters concerning candidates for Operating Officers (delegated type) to be submitted to the Board of Directors
- (5) Matters concerning the formulation of a succession plan
- (6) Matters concerning the policy of remuneration for officers, including its composition, and the procedures for determining remuneration for officers
- (7) Matters concerning the proposal for the remuneration of Directors and Auditors (total amounts) to be submitted to the General Meeting of Shareholders
- (8) Matters concerning the amount of individual remuneration for Directors
- (9) Matters concerning the total amount of remuneration and the amount of individual remuneration for Operating Officers (delegated type)
- (10) Other matters consulted by the Board of Directors

[Supplementary Principle 4-11-1] (Policy on the Composition of the Board of Directors)

The Company has established the following policy in the Corporate Governance Guidelines.

(Article 29 Composition of the Board of Directors and Board of Auditors)

The Board of Directors shall consist of no more than the number of Directors stipulated in the Articles of Incorporation, and shall be composed of Directors with diverse backgrounds in terms of expertise, experience, internationality, gender, etc., so as to efficiently demonstrate the effectiveness of the Board of Directors as a whole, and shall be composed of a number of members that enables the Board of Directors to function effectively and efficiently.

Independent Outside Directors shall be selected from among individuals who can contribute to the Company's management by leveraging their extensive experience outside the Company (including management experience) and expertise.

Auditors shall consist of at least one full-time Auditor who has a substantial understanding of finance and accounting, and other experts with appropriate experience and abilities, as well as necessary knowledge of laws, management, finance, accounting, etc.,

to ensure the overall effectiveness of the Board of Auditors.

(Article 30 Ensuring and Enhancing the Effectiveness of the Board of Directors)

The Board of Directors considers the skills, etc. that it should possess in light of the management strategies and discloses the combination of knowledge, experience, abilities, etc. possessed by each Director together with the policy for the nomination of Directors.

In order to fulfill its responsibilities and roles, the Board of Directors annually analyzes and evaluates its overall effectiveness by referring to self-evaluations of each of the Directors, and discloses the summary of the results.

In the evaluation process, the department responsible for the Board of Directors Secretariat conducts a situation analysis for the purpose of analysis and evaluation. Based on the results, each Director, including Outside Directors, analyzes and evaluates the following items, etc.

- (1) Adequacy of planning, frequency, schedule, and time of the Board of Directors meetings
- (2) Status of deliberation on agenda items (advance distribution of materials, quality and quantity of materials, content of explanations, question and answer sessions, time allocation, etc.)
- (3) Appropriateness of the operational status of the Company's "Corporate Governance Guidelines"

The skill matrix and other policies related to the nomination of Directors are disclosed on pages 7 to 11 of the "Notice of the 70th Annual General Meeting of Shareholders."

(<https://www.fttech.co.jp/en/ir/ir-document/#sub03>)

[Supplementary Principle 4-11-2] (Concurrent Positions of Officers at Other Listed Companies Held by Directors and Auditors)

The Company believes that Directors and Auditors, including Outside Directors and Outside Auditors, should allocate the time and effort necessary to fulfill their roles and responsibilities to the duties of Directors and Auditors.

To enhance the effectiveness and validity of the Board of Directors and the Board of Auditors, the Company monitors the status of concurrent positions held by Outside Directors, Outside Auditors, Directors, and Auditors, as well as their attendance status at important meetings, and discloses such status in the notice of the annual general meeting of shareholders.

As the importance of Outside Directors increases, the Company will disclose the status of concurrent positions held by all Directors and Auditors in the notice of the annual general meeting of shareholders. The current status of concurrent positions of officers at other listed companies held by Directors and Auditors is as follows.

⇒ None

[Supplementary Principle 4-11-3] (Outline of Analysis and Evaluation on the Effectiveness of the Board of Directors as a Whole)

Based on the recognition that proactive governance is essential for realizing our mission statement and management philosophy, the Company has formulated and published the Corporate Governance Guidelines in accordance with the principles of the Corporate Governance Code. Based on these guidelines, the effectiveness of the Board of Directors for the fiscal year ended March 31, 2025 has been analyzed and evaluated. The results are outlined below.

(1) Evaluation method

Each Director and Auditor conducted a self-evaluation of the effectiveness of the Board of Directors for the fiscal year ended March 31, 2025, based on the Board of Directors' Effectiveness Evaluation Form prepared by the Board of Directors Secretariat. The results of these evaluations were discussed at the Board of Directors meeting held in May 2025, and an evaluation of the effectiveness of the Board of Directors was conducted.

(2) Outline of the results of analysis and evaluation

The Board of Directors has analyzed and evaluated that the effectiveness of the Board of Directors was ensured as follows.

In order to exercise its supervisory function, the Board of Directors has established the composition, including the number of Directors and Auditors, and balance of knowledge, etc. of the Board of Directors, as well as the environment for providing information to Auditors, and the environment in which Outside Directors can freely express their opinions. The Board of Directors conducted sufficient deliberation on matters proposed by the executive departments and held constructive discussions, including making resolutions to amend proposals where necessary.

(3) Initiatives to improve effectiveness

The Board of Directors will strive to provide materials, etc. in a more timely and appropriate manner to enable appropriate management decisions, further enhance the environment in which management can fulfill its responsibilities, and work toward further enhancing effectiveness.

[Supplementary Principle 4-14-2] (Training Policy for Directors and Auditors)

The Company has established the following policy in the Corporate Governance Guidelines.

(Article 33 Training for Directors and Auditors)

Directors and Auditors shall fully recognize the roles and legal responsibilities entrusted to them by shareholders and shall acquire the necessary knowledge and information, and deepen their insights to fulfill their duties.

The Company shall bear the necessary expenses and provide necessary training opportunities for Directors, Auditors, and Operating Officers.

Directors, Auditors, and Operating Officers may freely select training opportunities from among those offered by external organizations. The Company shall provide the basic knowledge required for Directors, Auditors, and Operating Officers through the following methods, as necessary.

- (1) At the time of new assumption of duties: Conduct training on corporate governance, internal control, the Group's finance and

organization, etc.

- (2) After assumed duties: Conduct training on the Companies Act, compliance, finance, etc., by inviting external experts such as lawyers and certified public accountants.

[Principle 5-1] (Policy on Constructive Dialogue with Shareholders)

The Company has established the following policy in the Corporate Governance Guidelines.

(Article 34 Constructive Dialogue with Shareholders)

Based on the recognition that constructive dialogue with shareholders is essential for achieving sustainable growth and enhancing corporate value over the medium to long term, the Company strives to enhance bilateral dialogue.

The Company shall establish a department responsible for Investor Relations (IR) and shall engage in constructive dialogue with shareholders in cooperation with relevant departments.

The Company shall formulate and implement policies concerning constructive dialogue with shareholders.

The Company strives to understand its shareholder structure in order to promote constructive dialogue with shareholders.

(Policy on Constructive Dialogue with Shareholders)

The Company shall recognize that constructive dialogue with shareholders is essential for sustainable growth and the enhancement of corporate value over the medium to long term, and shall engage in such dialogue in accordance with the following policy.

- (1) Dialogue with shareholders shall be conducted within reasonable scope by executive management, including the President & CEO, officers responsible for IR, Directors and Auditors (including Outside Directors and Outside Auditors), or managers of the department responsible for IR.
- (2) The department responsible for IR shall build a cooperative structure with relevant departments within the Company to achieve constructive dialogue.
- (3) The Company shall provide shareholders with easy-to-understand explanations of the strategies in the Mid-Term Business Plan, basic policies and review status of the business portfolio, investments, and key indicators of the Company, and shall strive to disclose information necessary for shareholders to judge the corporate value of the Company over the medium to long term.
- (4) The department responsible for IR shall diversify the IR activities by holding individual meetings, financial results briefings, facility tours, participating in IR fairs, etc.
- (5) The officer responsible for IR shall carefully communicate the Company's policies, etc. to shareholders through dialogue, and shall report any opinions received from shareholders to Directors, etc. for sharing.
- (6) The officer responsible for IR shall thoroughly manage undisclosed important information in accordance with internal regulations in order to ensure fair disclosure of information.

[Principle 5-2] (Action to Implement Management that is Conscious of Cost of Capital and Stock Price (Under consideration))  
[English disclosure available]

The Company continues to calculate the weighted average cost of capital and the ratio of return on equity, and is implementing measures to improve profitability in order to secure and expand the equity spread and respond to major changes occurring in the automotive industry. In addition, while acknowledging the current levels of PBR and PER, the Company is considering new profit improvement measures, and policies and specific measures related to IR activities, shareholder returns, etc. to achieve simultaneous improvement in both indicators. Going forward, the Company will formulate a mid- to long-term business plan that reflects the results of consideration of "enhancing corporate value" and "implementing management that is conscious of cost of capital and stock price."

## 2. Capital Structure

Foreign Shareholding Ratio	Less than 10%
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### [Status of Major Shareholders]

Name or Company Name	Number of Shares Owned	Percentage (%)
Honda Motor Co., Ltd.	2,551,000	13.63
Akihide Fukuda	891,100	4.76
F-TECH SCHOLARSHIP FOUNDATION	800,000	4.27
Saitama Resona Bank, Limited	429,100	2.29
F-Tech employee stock ownership association	368,980	1.97
BNP PARIBAS NEW YORK BRANCH-PRIME BROKERAGE CLEARANCE ACCOUNT	367,600	1.96

Junko Fukuda	360,400	1.92
SUMITOMO CORPORATION	347,000	1.85
Fukuda Kosan Co., Ltd.	339,000	1.81
Yuichi Fukuda	311,900	1.66

Name of Controlling Shareholder, if applicable (excluding Parent Companies)	_____
Name of Parent Company, if applicable	None

The above Status of Major Shareholders is as of March 31, 2025.

### 3. Corporate Attributes

Listed Stock Exchange and Market Segment	Tokyo Stock Exchange, Standard Market
Fiscal Year-End	March
Business Sector	Transportation Equipment
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	¥100 billion or more but less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	10 or more but fewer than 50

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

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### 5. Other Special Circumstances which May have a 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

### 1. Organizational Composition and Operation

Corporate Governance System	Company with Board of Auditors
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#### [Directors]

Number of Directors Stipulated in Articles of Incorporation	13
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	5
Election of Outside Directors	Elected
Number of Outside Directors	2
Number of Independent Officers in Outside Directors	2

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

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Nobuhiro Koga	Academic											
Teruyo Oyamada	Lawyer											

\*Categories for "Relationship with the Company"

(Use "○" when the director presently 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 presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- Person who executes business for the Company or its subsidiary
- Person who executes business for or a non-executive director of the Company's parent company
- Person who executes business for a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for said person/entity
- Major client of the Company or a person who executes business for said client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company in addition to remuneration as a Director/Auditor
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to director him/herself only)
- Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to director him/herself only)
- Person who executes business for an entity receiving donations from the Company (applies to director him/herself only)
- Other

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Nobuhiro Koga	○	_____	Nobuhiro Koga has no experience of involvement in company management except as an outside officer, but he has abundant knowledge, experience, and an objective viewpoint as a university professor specializing in mechanical engineering. Therefore, the Company has judged him to be able to appropriately perform duties such as supervising the business execution of Directors of the Company, and has appointed him as outside Director. There is no special interest between him and the Company. Accordingly, the Company has determined that there is no risk of a conflict of interest with general shareholders, and has submitted notification to Tokyo Stock Exchange, Inc. concerning his appointment as an independent officer. In addition, he will deliberate on the election and dismissal of officers, a remuneration system for officers, and other matters as chairperson of Nomination and Remuneration Committee, and engage in building a highly objective and transparent governance system.
Teruyo Oyamada	○	_____	Teruyo Oyamada has abundant knowledge, experience, and an objective viewpoint from her many years working as an attorney at law. Therefore, the Company has judged her to be able to appropriately perform duties such as supervising the business execution of Directors of the Company, and has appointed her as outside Director. There is no special interest between her and the Company. Accordingly, the Company has determined that there is no risk of a conflict of interest with general shareholders, and has submitted notification to Tokyo Stock Exchange, Inc. concerning her appointment as an independent officer. In addition, she will deliberate on the election and dismissal of officers, a remuneration system for officers, and other matters as a member of Nomination and Remuneration Committee, and engage in building a highly objective and transparent governance system.

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee

Established

Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chairperson

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Nomination and Remuneration Committee	3	0	1	2	0	0	Outside Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Nomination and Remuneration Committee	3	0	1	2	0	0	Outside Director

Supplementary Explanation

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[Auditors]

Establishment of Board of Auditors	Established
Number of Auditors Stipulated in Articles of Incorporation	4
Number of Auditors	4

Cooperation among Auditors, Financial Auditors and Internal Audit Department

Auditors, the Internal Audit Office, the Internal Control Section, and financial auditors collaborate and coordinate by exchanging information as necessary, including through regular meetings on annual plans and performance reports. In addition, in order to ensure the appropriateness of accounting audits, the Board of Auditors and the Board of Directors receive reports on accounting audits conducted in accordance with the Companies Act from financial auditors. Audits by the Board of Auditors are conducted by four members, including two outside Auditors. Auditors attend important meetings within the Company, including the Board of Directors, and supervise the execution of duties by Directors.

Appointment of Outside Auditors	Appointed
Number of Outside Auditors	2
Number of Independent Officers in Outside Auditors	2

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

Name	Attributes	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Hiroshi Takahashi	Academic													
Kenichiro Masuda	From another company							△						

\*Categories for "Relationship with the Company".

(Use "○" when the director presently 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 presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- Person who executes business for the Company or its subsidiary
- A non-executive director or an accounting advisor of the Company or its subsidiaries
- Person who executes business for or a non-executive director of the Company's parent company
- An Auditor of a parent company of the Company
- Person who executes business for a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for said person/entity
- Major client of the Company or a person who executes business for said client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company in addition to remuneration as a Director/Auditor
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of f, g, or h above) (applies to the auditor him/herself only)
- Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to the director/auditor him/herself only)
- Person who executes business for an entity receiving donations from the Company (applies to the person him/herself only)
- Other

## Outside Auditors' Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Hiroshi Takahashi	○	_____	Hiroshi Takahashi has no experience of involvement in company management, but he has abundant knowledge as a lawyer over many years and an objective viewpoint nurtured through serving as Directors of a number of corporation bodies, and he has been judged to be able to appropriately perform the duties, such as supervising the business execution of Directors of the Company. Therefore, the Company has appointed him as an outside Auditor. There is no special interest between him and the Company. Accordingly, the Company has determined that there is no risk of a conflict of interest with general shareholders, and has submitted notification to Tokyo Stock Exchange, Inc. concerning his appointment as an independent officer.

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Kenichiro Masuda	○	_____	Kenichiro Masuda has expertise in a wide range of fields, including corporate governance, compliance and risk management, in addition to finance, treasury and accounting, and the Company has judged him to be able to appropriately perform the duties as an Auditor with his external point of view. Therefore, the Company has appointed him as an outside Auditor. It has been five years since he left his position as an executive officer of Saitama Resona Bank, Limited, one of the Company's lenders, and he satisfies the requirements for an independent officer as provided for by Tokyo Stock Exchange, Inc. and the independence criteria set forth in the Company's Corporate Governance Guidelines. Accordingly, the Company submitted notification to Tokyo Stock Exchange, Inc. concerning his appointment as an independent officer as of June 20, 2024.

#### [Matters Concerning Independent Officers]

Number of Independent Officers	4
Other Matters Concerning Independent Officers	
_____	

#### [Incentives]

Implementation Status of Measures related to Incentives Granted to Directors	Introduction of Performance-linked Remuneration Scheme
Supplementary Explanation for Applicable Items	

Remuneration for the Company's Directors, etc. consists of the following three types, within the limits approved by resolution of the General Meeting of Shareholders.

- Basic remuneration: Fixed monthly monetary remuneration
- Bonuses: Monetary remuneration determined based on the status of achievement of performance targets for each fiscal year and the status of supervision, etc.
- Performance-linked stock remuneration: Stock remuneration determined based on the status of achievement of performance targets in the mid- to long-term business plan

The stock remuneration system aims to clarify the link between the remuneration for Directors, etc. and the Company's performance and stock value, and to encourage Directors, etc. to contribute to the improvement of performance and increase of corporate value over the medium to long term by sharing not only the benefits of stock price increases but also the risks of price declines with shareholders.

The amount and details of remuneration under this system are as follows.

- (1) Target period: Three fiscal years from the fiscal year ended March 31, 2021 to the fiscal year ended March 31, 2023, and each of three fiscal years commencing after the initial target period
- (2) Maximum amount of cash to be contributed by the Company: JPY150 million
- (3) Method of acquiring the Company's shares: Through the stock market or by accepting the disposal of the Company's treasury shares
- (4) Total number of points to be granted: The total number of points granted per fiscal year shall not exceed 48,000 points
- (5) Points granting criteria: Points calculated based on the position and achievement of performance targets in accordance with the Stock Grant Regulations shall be granted for each fiscal year

Persons Eligible for Stock Options
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**Supplementary Explanation for Applicable Items**

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**[Director Remuneration]**

Status of Disclosure of Individual Director's Remuneration	No Disclosure for any Directors
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**Supplementary Explanation for Applicable Items**

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For the fiscal year ended March 31, 2025, the amounts of remuneration, etc. for Directors and Auditors were JPY90 million for five Directors (including JPY9 million for two outside Directors) and JPY41 million for four Auditors (including JPY8 million for two outside Auditors).

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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**Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods**

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The policy on determining remuneration amounts for officers and the calculation methods was resolved at the 65th Annual General Meeting of Shareholders held on June 25, 2020. The maximum annual remuneration for Directors of the Company shall not exceed JPY300 million (of which the portion for outside Directors shall not exceed JPY20 million. Salaries for Directors who also serve as employees are not included in this amount). The maximum annual remuneration for Auditors shall not exceed JPY50 million.

**[Support System for Outside Directors and Outside Auditors]**

At the Company, the main meetings are the Board of Directors and the Management Meeting. Outside Directors and outside Auditors attend these meetings in principle, but if they are unable to attend due to unavoidable circumstances, the Management Planning Division shall send the meeting materials to the outside Directors and outside Auditors for their confirmation.

## [Status of Persons who have Retired as Representative Director and President, etc.]

Information on Persons Holding Advisory Positions (*Sodanyaku, Komon*, etc.) after Retiring as Representative Director and President, etc.

Name	Job title/ position	Responsibilities	Terms and Conditions of Employment (Full/part time, with/without remuneration, etc.)	Date when former role as president/ CEO ended	Term
Akihide Fukuda	Supreme Advisor	*Described in “Other Related Matters”	Part time With remuneration	March 31, 2002	1 year

Number of Persons Holding Advisory Positions (*Sodanyaku, Komon*, etc.)  
After Retiring as Representative Director and President, etc.

1

### Other Related Matters

Akihide Fukuda is engaged in activities such as the following.

- Contributing to enhancing the social credibility of the Company by engaging in public activities outside the Company, such as economic organizations, on behalf of the Company.
- Contributing to the Company based on his extensive network outside the Company.
- Providing advice based on his past experience and knowledge as requested by the management.

## 2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System)

### (Board of Directors)

The Board of Directors consists of five Directors (including two outside Directors) and serves as the Company’s decision-making body for management, making decisions on important business execution and other statutory matters, as well as supervising business execution. In addition, the term of office for Directors is set at one year in order to respond quickly to changes in the business environment. In the fiscal year ended March 31, 2025, the Board of Directors held 19 meetings.

### (Board of Auditors)

The Board of Auditors consists of four Auditors (including two outside Auditors). Each Auditor conducts audits of the execution of duties by Directors in accordance with the audit policies and division of duties established by the Board of Auditors, through attendance at the Board of Directors meetings and investigations into the status of operations and assets. In addition, upon request from Auditors, the Company appoints employees to assist Auditors in the performance of their duties. In the fiscal year ended March 31, 2025, the Board of Auditors held 12 meetings.

### (Selection of Candidates for Officer)

For selecting candidates for Director, the Company has established the Nomination and Remuneration Committee as a voluntary advisory body to the Board of Directors, which consists of a majority of independent outside Directors and is chaired by an independent outside Director. When selecting candidates for Director, the Nomination and Remuneration Committee deliberates on the matter after receiving consultation from the Board of Directors, and reports the results to the Board of Directors which then makes the final decision. Candidates for Auditor are selected by resolution of the Board of Directors after obtaining the consent of the Board of Auditors in advance.

### (Determination of Remuneration for Officers)

In order to maintain transparency, fairness, and rationality in determining the amount of remuneration, etc. for Directors and other officers, a voluntary Nomination and Remuneration Committee, comprising a majority of independent outside Directors, shall, after receiving consultation from the Board of Directors, deliberate on basic remuneration and performance-linked remuneration based on corporate executive remuneration surveys, etc. conducted regularly by a third party, and report the results to the Board of Directors, who shall then make the final decision.

For performance-linked remuneration, the Nomination and Remuneration Committee shall, after receiving consultation from the Board of Directors, deliberate on the key indicators, target levels, and calculation methods for determining the remuneration levels, and report the results to the Board of Directors, which shall then make the final decision by resolution.

### (Status of Accounting Audit)

The certified public accountants who conducted the accounting audit of the Company for the previous fiscal year were Mr. Ryoichi Isashi and Mr. Kenya Yakuwa, both of whom are engagement partners of KPMG AZUSA LLC. The number of years of continuous audit at the Company is five years or less for Mr. Ryoichi Isashi, the chief engagement partner, and seven years or less for Mr. Kenya Yakuwa, an engagement partner. In addition, the composition of the assistants involved in the said accounting audit consists

of six certified public accountants and 14 members of junior accountants of the Japanese Institute of Certified Public Accountants, etc., totaling 20 individuals.

(Business Execution System)

The Company has introduced an operating officer system for the purpose of separating management supervision and business execution functions, strengthening decision-making and supervisory functions at the Board of Directors, and ensuring the prompt execution of business. In addition, in order to conduct objective monitoring of management, the Company has appointed two highly independent outside Directors who provide opinions and suggestions from a wide range of perspectives, thereby incorporating external perspectives into management. In addition, the term of office for Directors is one year in order to respond quickly to changes in the business environment.

For overseas business, Operating Officers of the head office assume positions such as Chairperson of the Board of Directors of overseas group companies in each regional segment and participate in important decision-making at overseas group companies. In addition, a Director & Senior Managing Executive Officer has been appointed as Global Chief SED\* Officer and Regional CEO of North America, and a Managing Executive Officer has been appointed as Regional CEO of China & Asia. Through the participation of these officers in the decision-making process at overseas group companies, this system provides stronger management control over overseas group companies. \*SED: Sales, Engineering, Development

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

The Company believes that the current system is effective in achieving and ensuring the basic principles of corporate governance and enabling appropriate and efficient corporate management.

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

#### 1. Measures to Vitalize General Meeting of Shareholders and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Posting of Notice of the General Meeting of Shareholders	The notice of the Annual General Meeting of Shareholders is sent out earlier than the statutory deadline. This year, it was sent out on June 3, 2025.
Scheduling of the General Meeting of Shareholders on a Non-Peak Day	This year, the Annual General Meeting of Shareholders was held on June 19, 2025.
Electronic Exercise of Voting Rights	When sending the notice of the Annual General Meeting of Shareholders, the Company notifies shareholders that they may exercise their voting rights by electronic means and provides them with the website where they can exercise their voting rights.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	The Company participates in a voting platform for institutional investors.
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	The notice of the Annual General Meeting of Shareholders (English summary) has been prepared and posted on the Company's website.
Other	The notice of the Annual General Meeting of Shareholders, the Business Report (Newsletter to Shareholders), the notice of resolutions, and the extraordinary report (results of the exercise of voting rights at the 70th Annual General Meeting of Shareholders) have been posted on the Company's website. <a href="https://www.ftech.co.jp/en/ir/ir-document/">https://www.ftech.co.jp/en/ir/ir-document/</a>

#### 2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	The disclosure policy is provided in the "Corporate Governance" section of the Company's website.	
Regular Investor Briefings held for Individual Investors	The Company participated in the Nikkei IR & Individual Investor Fair 2024 organized by Nikkei Inc. The Company held a company presentation at its booth, which was attended by a total of 140 individual investors.	Held
Regular Investor Briefings held for Analysts and Institutional Investors	The Company holds two meetings a year, after the closing of the fiscal year and the second quarter. *The second quarter briefing in November 2024 and the year-end briefing in May 2025 were held as hybrid events combining presentations at the venue and webcasts.	Held
Regular Investor Briefings held for Overseas Investors	After the announcement of quarterly financial results, the Company holds individual meetings with overseas institutional investors as necessary, using telephone conferences and web conferences.	Not Held
Online Disclosure of IR Information	Financial information, timely disclosure information, and other materials are posted on the "Investor Relations" section of the Company's website.	
Establishment of Department and/or Placement of a Manager in Charge of IR	The General Affairs Department and the Finance & Accounting Department under the Management Planning Division	

### 3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	The Company has established the “Our Action Guidelines” to strengthen the trust of customers, business partners, and society.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	The Company recognizes that the preservation of the global environment is the most important issue for all of humanity, and as a responsible member of society, the Company continuously promotes environmentally conscious activities through all of business activities, with the balance of productivity and environmental preservation. In addition, the Company publishes once a year the integrated report that summarizes the Company’s environmental activities on the Company’s website. <a href="https://sustainability.fttech.co.jp/documents/Integrated-Report-2024-ENG.pdf">https://sustainability.fttech.co.jp/documents/Integrated-Report-2024-ENG.pdf</a>
Formulation of Policies, etc. on Provision of Information to Stakeholders	Policies, etc. on provision of information are described in “Disclosure Based on each Principle of the Corporate Governance Code,” [Principle 5-1] (Policy on Constructive Dialogue with Shareholders) above.

## IV. Matters Concerning the Internal Control System

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

The Company has established "Mission Statement," "Corporate Philosophy" and "Our Action Guidelines" to create the pleasant business environment within the Company and the Group companies. The Board of Directors has established the Company's policies on internal control system as follows.

1. System to ensure that the execution of duties by Directors and employees of the Company and the Group companies are in conformity with the laws and regulations and the Articles of Incorporation.

- (1) The Company has established the "Our Action Guidelines" as a corporate code of conduct based on the improvement of corporate ethics and compliance with laws and regulations in order to prevent violations of laws and regulations and the Articles of Incorporation, and implements compliance promotion activities within the Company and the Group companies.
- (2) The Company has established a "Corporate Ethics Kaizen Window" to enable employees and other personnel of the Company and the Group companies to directly report or consult with the Company regarding any acts that violate laws and regulations, the Articles of Incorporation, or social ethics, or any acts suspected of such violations. In addition, the "Corporate Ethics Meeting," which is composed of officers, holds meetings as necessary to decide on response policies for important matters that cannot be handled by individual departments, including the protection of those who make such reports, and to instruct the relevant departments to make improvements, thereby establishing a system to confirm the status of compliance.

2. System for the storage and management of information related to the execution of duties by Directors

Information related to the execution of duties by Directors shall be stored and managed in accordance with the "regulations on management of report documents," and a system shall be established to allow access to such information for a period of 10 years as necessary.

3. Regulations and other systems for managing the risk of loss of the Company and the Group companies

- (1) The Company and the Group companies recognize the risks associated with the execution of the Company's main business operations, and the responsible departments have appointed persons in charge from an expert point of view, and organized the meetings to prevent the risk of loss.
- (2) As the foundation of the risk management system, the Company has established the "Risk Management Standards," designated persons responsible for managing individual risks, and developed a risk management system. In the event of an unforeseen situation, the Company shall establish an emergency headquarters within the Management Planning Division, with the president as the head and the vice president or the officer in charge as the deputy head, and shall consult with corporate lawyer, etc. to prevent the expansion of damage and minimize losses.

4. System to ensure that Directors of the Company and the Group companies perform their duties efficiently

- (1) As a foundation of this system, the Board of Directors meets regularly once a month, and extraordinary Board of Directors meetings are held as necessary. In addition, for decisions on important matters, discussions are held in advance at the Management Meeting attended by Operating Officers or above and at the SED (or Sales, Engineering, and Development) Meeting to enhance the efficiency of the execution of duties, and decisions are made after deliberation at these meetings.
- (2) In the overseas business, a Director & Senior Managing Executive Officer has been appointed as Global Chief SED Officer and Regional CEO of North America, and a Managing Executive Officer has been appointed as Regional CEO of China & Asia. These officers participate in the decision-making process of overseas group companies, thereby establishing a system for comprehensively evaluating the appropriateness of investments and the profitability of businesses in overseas group companies.
- (3) For the execution of duties based on decisions made by the Board of Directors, the persons responsible and the execution of such duties shall be determined in accordance with the "List of Dividing Duties of Directors and Officers," "Rules of Organization," "Regulations of Administrative Authority" and "Guidelines for Affiliated Companies."
- (4) By adopting the operating officer system, the Company has established a system that clarifies the delegation of authority to Operating Officers and strengthens the supervisory function of Directors, and ensures that the duties of Directors are performed efficiently while maintaining management speed.

5. System for ensuring the appropriateness of operations within the corporate group consisting of the Company and the Group companies

- (1) The Board of Directors and Representative Director of the Company have established the compliance system by setting the management vision and management policy of the Company, ensuring that they are thoroughly understood by the Company and the Group companies, and basing the "Our Action Guidelines" applicable to the Company and the Group companies.
- (2) The Company shall require prior approval or reporting for the execution of duties and important management matters of the Group companies in accordance with the "Guidelines for Affiliated Companies." In addition, the Company clarifies the authority for decision-making related to the execution of duties of the Group companies to ensure the appropriateness of their operations.
- (3) In the event that an officer or employee discovers a serious violation of laws and regulations or other serious facts related to compliance at the Company or a Group company, he or she shall immediately report to the "Corporate Ethics Kaizen Window," and the "Corporate Ethics Meeting," etc. shall report the results of the investigation and measures for response to the Board of Directors.
- (4) To anti-social forces that threaten social order and the sound activities of companies, the Company and the Group

companies as a whole shall take a resolute stance. A system that does not engage in any business or other relationships with such forces has been established.

- (5) To ensure the appropriateness of the operations of the Company and the Group companies, the Company's Internal Audit Office conducts regular audits of operations.

6. In cases where employees are requested to assist Auditors in their duties, system concerning such employees, and matters to ensure the independence of such employees from Directors and the effectiveness of instructions to such employees

In response to requests from Auditors, the Company shall appoint employees to assist Auditors in their duties, either on a full-time basis or concurrently with other departments. Such employees shall be placed under the direction and control of Auditors in their duties to assist Auditors. For personnel matters related to such employees, including transfers, compensation (including performance evaluations), and disciplinary actions, the Company shall consult with the Board of Auditors in advance and obtain its consent before making such decisions, thereby ensuring the independence of such employees from the Board of Directors.

7. System for reporting to Auditors from Directors and employees, other systems for reporting to Auditors, and system for ensuring that audits by Auditors are conducted effectively

- (1) Auditors shall be entitled to attend the Board of Directors meetings, the Management Meeting, and other important meetings of the Company and the Group companies. In addition, upon request from Auditors, the Company shall provide Auditors with notices of various meetings and other necessary information.
- (2) Directors, Operating Officers, and employees of the Company and the Group companies shall report to Auditors in accordance with the provisions of the "Auditing Standards for Auditors" and "Reporting Standards for Auditors" when they discover any facts that include matters described in the standards or that may cause significant damage to the Company. In addition, Auditors may request reports from Directors, Operating Officers, and employees of the Company and the Group companies at any time as necessary, regardless of the above.
- (3) The Company prohibits any disadvantageous treatment to Directors, Operating Officers, and employees of the Company and the Group companies who have reported to Auditors, and has thoroughly informed all officers and employees of the Company and the Group companies of this prohibition.
- (4) Auditors may engage lawyers, certified public accountants, or other external advisors as necessary in the course of conducting audits.
- (5) The Company shall promptly settle any expenses or liabilities incurred in connection with the performance of duties by Auditors pursuant to Article 388 of the Companies Act, after deliberation by the relevant department, except in cases where such expenses or liabilities are deemed unnecessary for the performance of duties by Auditors.

8. System for ensuring the reliability of financial reporting

In order to ensure the reliability of financial reporting and to submit the internal control report effectively and appropriately as stipulated in Article 24-4-4 of the Financial Instruments and Exchange Act, the Company, under the direction of the President & CEO, shall establish an internal control system with the Management Planning Division acting as the core, and shall continuously evaluate the proper functioning of the system and take necessary corrective measures. In addition, the Internal Audit Office shall evaluate the status of development and operation of internal controls.

## **2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development**

The Company's basic policy is to take a resolute stance against anti-social forces that threaten social order and safety, and the compliance regulations stipulate that all relations with anti-social forces must be severed. The Company also cooperates with relevant external organizations such as the police.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
Supplementary Explanation for Applicable Items	

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

The Company has designated company information that may have a significant impact on investment decisions regarding securities subject to timely disclosure under the Financial Instruments and Exchange Act and the “Rules on Timely Disclosure of Corporate Information by Issuers of Listed Securities” (hereinafter, the “Timely Disclosure Rules”) as important information that should be disclosed. The Company strives to disclose such information to stakeholders including shareholders and investors in a timely, accurate, and fair manner.

The Company complies with the Timely Disclosure Rules of the Tokyo Stock Exchange and also strives to disclose information in a timely and appropriate manner by disclosing important information through TDnet, as well as by announcing it to the press and posting it on the Company’s website, etc.

For the management of insider information, the Company has formulated the “Insider Trading Prevention Regulations,” which are thoroughly communicated to all officers and employees. In addition, a person responsible for information management is appointed to oversee the timely disclosure of information within the Company.

END