

## Corporate Governance Report

### CORPORATE GOVERNANCE

Furukawa Electric Co., Ltd.

Note : This document has been translated from a part of the Japanese original and provided for reference purposes only. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.

Last Update: December, 25, 2023

Furukawa Electric Co., Ltd.

President Hideya Moridaira

Contact: Legal Dept.

Securities Code: 5801

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

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

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

### 1. Basic Views

#### [The Founder’s Thoughts]

Mr. Ichibei Furukawa, the founder of Furukawa Group, said, based on his wish to “brighten Japan,” that “we must

value employees,  
value customers,  
value new technology, and  
contribute to society.”

Since its foundation in 1884, Furukawa Electric has inherited these words in its DNA and has grown.

We are determined to receive and pass on these three valuable things and contribute to the realization of a sustainable society as members of society who forge the future.

#### [Furukawa Electric Group Corporate Philosophy]

##### ● Corporate Philosophy

Drawing on more than a century of expertise in the development and fabrication of advanced materials, we will contribute to the realization of a sustainable society through continuous technological innovation.

##### ● Management Philosophy

With an eye to the future, the Furukawa Electric Group management team pledges to:

- Live up to the expectations and trust invested in us by society, with fairness and integrity.
- Apply the sum total of our expertise to satisfy our customers and grow with them.
- Continuously strive to achieve world-class technological innovation, and transform ourselves in every area of endeavor.
- Nurture human resources at every level, so that we can become a more diverse and creative organization.

#### [Core Value]

We have set the values we wish to particularly emphasize and enhance even further, for the achievement of Corporate Philosophy and the sustainable growth of Furukawa Electric Group, as “Core Value”.

“Integrity”, “Innovation”, “Addressing Reality”, “Ownership and Speed”, “Collaboration”

[Furukawa Electric Group Vision 2030]

In order to build a sustainable world and make people's life safe, peaceful and rewarding, Furukawa Electric Group will create solutions for the new generation of global infrastructure combining information, energy and mobility.

Based on the "Furukawa Electric Group Corporate Philosophy", we enhance our management performance responding appropriately to changes in the business and market environment by prompt business decision making as well as with transparency and fairness. At the same time, we ensure sound management by developing and establishing an effective internal control system. With these, we will expand and develop our business on a sustainable basis and increase our corporate value. Furthermore, we seek to strengthen and enhance our corporate governance, in accordance with the followings:

- i ) We secure the rights and equal treatment of shareholders;
- ii ) We consider interests of stakeholders including shareholders, and cooperate appropriately with them;
- iii ) We ensure appropriate information disclosure and transparency;
- iv ) Given its fiduciary responsibility and accountability to shareholders, Board of Directors carries out effective oversight of management from objective standpoint, respecting the independent Directors' role for the oversight;
- v ) We engage in constructive dialogue with shareholders who have investment policies in accordance with interests of mid-to-long-term shareholders.

[Translation for Reference Purpose Only]

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

Furukawa Electric Co., Ltd. complies with all Principles of the Corporate Governance Code.

**[Disclosure Based on the Principles of the Corporate Governance Code] [Updated]**

The Company summarizes the results of examinations for compliance with each principle of the Corporate Governance Code, and has formulated "Furukawa Electric Co., Ltd. Guidelines on Corporate Governance" (hereinafter referred to as "the Guidelines").

The Guidelines is available on our website (<https://www.furukawa.co.jp/en/company/governance.html>).

**[Principle 1.4 Cross-Shareholdings]**

In accordance with "4. (1) Policy for Cross-Shareholdings" of Chapter 2, Section 1 of the Guidelines, the Board of Directors annually assesses whether it is appropriate to hold each of the individual listed stocks as cross-shareholdings; and if deemed inappropriate, we strive to reduce such shareholdings.

At its meeting held in December 2022, the Board of Directors assessed the appropriateness of our cross-shareholdings. Consequently, we have reduced cross-shareholdings, including 5 listed stocks (5,435 million yen), resulting in reducing the number of listed stocks held as cross-shareholdings to 19 (19,209 million yen) as of the end of March 2023.

The following is the summary of the reduction of cross-shareholdings in the past 3 years:

【Fiscal year / Amount of listed shares recorded on the balance sheet (number of stocks) as of the end of the fiscal year / Amount of reduction in cross-shareholdings by selling listed shares during the fiscal year (at market value)】

FY2020 / 24,387million yen (17 stocks) / 9,180 million yen

FY2021 / 23,061 million yen (17 stocks) / 435 million yen

FY2022 / 19,209 million yen (19 stocks) / 5,435 million yen

Our proxy voting policy is as stipulated in "4. (2) Standards with respect to the Voting Rights as to our Cross-Shareholding" of Chapter 2, Section 1 of the Guidelines

**[Principle 1.7 Related party transactions]**

As stipulated in "5. Related Party Transactions" of Chapter 2, Section 1 of the Guidelines.

**[Supplementary Principle 2.4.1 Ensuring diversity]**

Under the management philosophy "Nurture human resources at every level, so that we become a more diverse and creative organization," the Group is committed to "strengthen human capital management (HCM) and organizational execution abilities," which was identified as an important management issue (materiality) for achieving "Furukawa Electric Group Vision 2030," and has a basic HCM policy of "securing diverse human resources and supporting the growth of people who continue to take on challenges."

Furthermore, in "Furukawa Electric Group Vision for Our People," which identifies an ideal state of our people and organization, we articulated our principles for people and organization by referring to 'securing diversity' and established a dedicated organization in 2014, which has been working on promoting diversity & inclusion through such initiatives as raising awareness of officers and employees, creating an environment where diverse people can play important roles, and enabling autonomous work-life management.

With respect to targets/achievements for ensuring diversity of human resources as well as our policies for human resources development, improvement of the internal environment, etc., we have disclosed such information on our website (<https://furukawaelectric.disclosure.site/en/themes/96>).

\* Our initiatives for women's participation and advancement in workplace are also described in "III. 3. Measures to Ensure Due Respect for Stakeholders – Other" of this Report.

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

As stipulated in "5. Roles of Corporate Pension Fund as Asset Owners" of Chapter 2, Section 2 of the Guidelines.

[Principle 3.1 Enhancement of Disclosure]

(i) Corporate philosophy, business plan, etc.

We established “Furukawa Electric Group Corporate Philosophy” as mentioned in “I.1. Basic views on Corporate Governance” of this Report as well as Chapter 1, Section 1 of the Guidelines. And backcasting from the ideal in 2030, we defined the target state in 2025 which is a halfway point. To realize that, last year, the Company formulated the Medium-term Management Plan “Road to Vision 2030: Transformation and Challenges” for 4 years ending in FY2025, and has worked on various measures. We also formulated Medium-term Management Plan, which is available on our website (<https://www.furukawa.co.jp/en/ir/management/feature.html>).

(ii) Basic views and guidelines on corporate governance

Our basic views on corporate governance are as stated in “I.1. Basic views on Corporate Governance” of this Report as well as Chapter 1, Item 3 of the Guidelines.

As mentioned earlier, the Guidelines is available on our website (<https://www.furukawa.co.jp/en/company/governance.html>).

(iii) Policies and procedures in determining the remuneration of directors and senior management

Our policies and procedures are as stipulated in “1. Composition and Roles of Nominating/Compensation Committee” as well as “4. Policy on Remuneration for Directors and Officers” of Chapter 3, Section 3 of the Guidelines.

Details are also provided elsewhere in this Report: specifically, in “II. 1. Form of Organizational Structure and Operational Management 【Directors】 Establishment of optional committee, committee composition, and attributes of chairperson” and its Supplementary Explanation, as well as “II. 1. Form of Organizational Structure and Operational Management 【Directors’ Remuneration】 Disclosure of Policy on Determining Remuneration Amounts and Calculation Method”.

(iv) Policies and procedures on nomination of candidates for directors and other officers, and appointment/removal of senior management

As stipulated in “1. Composition and Roles of Nominating/Compensation Committee” of Chapter 3, Section 3 as well as in “2. Policy on Nomination of Candidates for Directors and Other Officers and Their Removal” of Chapter 3, Section 3 of the Guidelines.

(v) Explanations with respect to the individual nomination and appointment/removal

In “2. Policy on Nomination of Candidates for Directors and Other Officers and Their Removal” of Chapter 3, Section 3 of the Guidelines, it is stipulated that, upon nominating candidates for Directors and Audit & Supervisory Board Members and appointing/removing Corporate Vice Presidents, reasons for the individual nominations and appointments/removals should be disclosed.

Among cases applicable to this Item, reasons for appointing new Corporate Vice Presidents are disclosed in our disclosure document “Notice of Transfer of Executives and New Duties” issued on March 9, 2023 ([https://www.furukawa.co.jp/en/release/2023/kei\\_20230309\\_01.pdf](https://www.furukawa.co.jp/en/release/2023/kei_20230309_01.pdf)). Furthermore, reasons for nominating candidates for Directors and Audit & Supervisory Board Members are disclosed in the reference material for the annual shareholders meeting for the year ending March 2023

(<https://www.furukawa.co.jp/en/ir/stock/meeting.html>).

[Supplementary Principle 3.1.2 Disclosure in English]

Taking into account the ratio of foreign investors, etc., we disclose English versions of reference materials for various investor briefings, including briefings on financial results and medium-term management plan, Timely disclosure documents, Annual Securities Reports, Integrated reports, and Notice of annual shareholders meeting, etc. on our website, etc.

[Supplementary Principle 3.1.3 Disclosure of sustainability initiatives]

(1) Efforts for Sustainability

Under the Group’s corporate philosophy “Drawing on more than a century of expertise in the development and fabrication of advanced materials, we will contribute to the realization of a sustainable society through continuous technological innovation,” and from the perspective of addressing social issues raised by “Sustainable Development Goals (SDGs)” adopted by the United Nations, the Group formulated “Furukawa Electric Group Vision 2030”, which defines the ideal state of the Group in 2030. Towards achieving the

Vision, the Group has been promoting ESG management, aiming at the Group's sustainable growth and increase in corporate value over mid- to long-term.

Furthermore, we established "Furukawa Electric Group Basic Policy on Sustainability", which articulates our basic concept for responding to recent rapid changes in the business environment surrounding the Group and achieving sustainable growth of the Group. We also established the Sustainability Committee for the purposes of consolidating discussions on sustainability within the Group and further enhancing the quality and speed of implementation thereof, and strive to proactively address sustainability issues and disclose such information.

Detailed information on the Group's sustainability initiatives is disclosed in our securities report, integrated report and on our website.

(2) Investing in human capital

The Group recognizes "strengthening human capital management (HCM) and organizational execution abilities" as an important management issue (materiality) for achieving "Furukawa Electric Group Vision 2030", and maintains the Furukawa Electric Group People Vision, which focuses on the following three points:

- (i) Secure diverse human resources and support the growth of people who continue to take on challenges;
- (ii) Aim at becoming an enterprise group where everyone plays a leading role and feels excited to work with pride; and
- (iii) Nurture the culture where teams accomplish things to the end.

Based on this basic policy, we have shared an ideal of human resources within the Group, established a personnel management system based on common guidelines, and implemented specific measures (i.e. establishing training systems, consultation systems, and compensation and benefit plans; and securing opportunities for dialogue) in order to both "realize management/business strategies" and "strengthen human capital management (HCM) and organizational execution abilities."

As sustainability indicators for realizing the ideal state in FY2025, we set targets for "employee engagement score (non-consolidated)", "ratio of female managers (non-consolidated)" and "ratio of mid-career hires to all new hires (non-consolidated)".

Detailed information on the Group's initiatives related to human capital is available in our securities report, integrated report and on our website.

(3) Investing in intellectual property

The Group regards its intellectual assets which drive competitive advantage, including intellectual properties such as patents and know-how, human assets, organizational capabilities, and client networks, as important management resources, and established the basic policy consisting of the following three pillars:

- (i) Strengthening management and business strategy planning capabilities through IP Landscaping

We strengthen management and business strategy planning capabilities through IP Landscaping that analyzes and utilizes intellectual property information by incorporating it into strategy planning processes.

- (ii) Utilizing intellectual property with Open & Closed strategies

Increase business competitiveness by running a cycle of activities for creation/accumulation of intellectual property and protection of businesses/core technologies, starting from utilization of intellectual property under Open & Closed strategies, while being alert to changes by conducting environmental analysis through IP Landscaping.

- (iii) Stabilizing business by reducing intellectual property risks

We identified four categories of risks - namely, rights infringement risk, technology leakage risk, contract risk, and counterfeit risk - as high-impact and frequently occurring intellectual property risks, and continuously work on reducing risks to stabilize business.

Under on this basic policy, in order to realize "Furukawa Electric Group Vision 2030" and achieve SDGs, we promote group-wide and global intellectual property activities with the trinity management of business, research and development, and intellectual property, from the two perspectives of risk minimization (stabilizing business) and chance maximization (enhancing business opportunities).

As sustainability indicators for realizing the ideal state in FY2025, we set a target for "IP Landscaping implementation ratios for themes of strengthening business and creating new businesses".

Detailed information on the Group's initiatives for strengthening/creating businesses and initiatives related to human resources/organization by utilizing intellectual assets is available in our intellectual property report.

(4) Impact of climate-related risks and revenue opportunities on our business activities and revenue, etc.

Under the perception that risks and opportunities, which climate change poses on/provides to our businesses, are important management issues, the Group signed up for the recommendations of Task Force

on Climate-related Financial Disclosures (TCFD) in January 2020. We also participated in a project of the Japanese Ministry of the Environment, “Support for scenario analysis of climate risks/opportunities in line with TCFD”. To realize the sustainable society, we will continue to make use of TCFD, and thereby strengthen trust relationships with our stakeholders.

The Group’s responses to TCFD’s recommendations are disclosed in our integrated report.

[Supplementary Principle 4.1.1 Scope and content of the matters delegated to the management]

As stipulated in “2. The Scope and Content of matters that Board of Directors makes Decisions” of Chapter 3, Section 2 of the Guidelines.

[Principle 4.9 Independence standards and qualification for independent outside directors]

As stipulated in “2. Independent Outside Officers” of Chapter 3, Section 6 as well as in “2. Policy for Nomination and removal of Candidates for Directors, Audit & Supervisory Board Members and Corporate Vice President” of Chapter 3, Section 3 of the Guidelines.

The " Independence Standards for outside officers" are also provided elsewhere in this Report: specifically, in “II. 1. Form of Organizational Structure and Operational Management 【Independent Directors/Audit & Supervisory Board Members】 Matters relating to Independent Directors/Audit & Supervisory Board Members”.

[Supplementary Principle 4.10.1 Ensuring independence and objectivity in Nomination and Compensation of senior management]

As stipulated in “1. Formation and Roles of Nominating/Compensation Committee” of Chapter 3, Section 3 of the Guidelines.

Details of Nominating/Compensation Committee are also provided elsewhere in this Report: specifically, in “II. 1. Form of Organizational Structure and Operational Management 【Directors】 Establishment of optional committee, committee composition, and attributes of chairperson ” and its Supplementary Explanation.

[Supplementary Principle 4.11.1 Views on the balance of directors’ knowledge, experience and skills, and the diversity and size of the Board of Directors]

As stipulated in “2. Policy for Nomination and removal of Candidates for Directors, Audit & Supervisory Board Members and Corporate Vice President” of Chapter 3, Section 3 of the Guidelines.

The Skill matrix for Directors and Audit & Supervisory Board Members is disclosed in the reference material for the annual shareholders meeting for the year ending March 2023.

[Supplementary Principle 4.11.2 Major concurrent positions in other organizations of Directors/Audit & Supervisory Board Members]

As stipulated in “2. Policy for Nomination and removal of Candidates for Directors, Audit & Supervisory Board Members and Corporate Vice President” of Chapter 3, Section 3 of the Guidelines.

The status of concurrent posts of Directors and Audit & Supervisory Board Members with officers of other listed companies is disclosed in business report and the reference material for the annual shareholders meeting for the year ending March 2023.

[Supplementary Principle 4.11.3 Analysis and evaluation of effectiveness of Board of Directors]

As stipulated in “1. Roles and Responsibilities of Board of Directors” of Chapter 3, Section 2 of the Guidelines.

A summary of the results for the year ending March 2024 is available on our website.

[Supplementary Principle 4.14.2 Training policy for directors and Audit & Supervisory Board Members]

As stipulated in “1. Formation and Roles of Nominating/Compensation Committee” of Chapter 3, Section 3 as well as in “Directors and Audit & Supervisory Board Members’ Training” of Chapter 3, Section 8 of the Guidelines.

[Principle 5.1 Policy for constructive dialogue with shareholders]

As stipulated in “1. Policy for Constructive Dialogue with Shareholders” of Chapter 4 of the Guidelines.

[Translation for Reference Purpose Only]

[Measures for Achieving Management with an Awareness of Capital Costs and Share Prices]

In order to strengthen and create businesses with greater emphasis on capital efficiency, we have introduced ROIC(Return on invested capital) and FVA(Furukawa Value Added : EVA was customized for our company) as management indicators and set financial targets for FY2025 to exceed the cost of capital.

We will continue to work to increase corporate value and improve PBR(Price Book-value Ratio) by further accelerating business management and decision-making with greater awareness of the cost of capital, and will actively disclose the status of our efforts through various briefings and other events.

Detailed information on our efforts is disclosed on our website.

[Status of Dialogue with Shareholders]

Detailed information on the status of dialogue with shareholders is disclosed on our website.

[Translation for Reference Purpose Only]

## 2. Capital Structure

|                            |                           |
|----------------------------|---------------------------|
| Foreign Shareholding Ratio | From 20% to less than 30% |
|----------------------------|---------------------------|

### [Status of Major Shareholders]

| Name / Company Name   | Number of shares held (shares) | Shareholding ratio (excluding treasury shares) (%) |
|---|--------------------------------|--|
| The Master Trust Bank of Japan, Ltd. (Trust Account)  | 11,829,200                     | 16.75  |
| Custody Bank of Japan, Ltd. (Trust Account)   | 4,763,900                      | 6.75   |
| BNYMSANV AS AGENT / CLIENTS LUX UCITS NON TREATY 1  | 3,154,100                      | 4.47   |
| Custody Bank of Japan, Ltd. (Trust Account 4)   | 2,718,200                      | 3.85   |
| Custody Bank of Japan, Ltd. (Mizuho Trust & Banking; Employee Retirement Benefit Trust, Mizuho Bank Account)        | 2,413,500                      | 3.42   |
| Asahi Mutual Life Insurance Company   | 1,365,050                      | 1.93   |
| FURUKAWA CO., LTD.  | 1,329,045                      | 1.88   |
| DFA INTL SMALL CAP VALUE PORTFOLIO  | 1,292,296                      | 1.83   |
| Custody Bank of Japan, Ltd. (Mizuho Trust & Banking; Employee Retirement Benefit Trust, FURUKAWA CO., LTD. Account) | 1,091,900                      | 1.55   |
| The Nomura Trust and Banking Co., Ltd. (Trust Account)  | 1,072,400                      | 1.52   |

|   |     |
|---|-----|
| Controlling Shareholder (except for Parent Company) | N/A |
| Parent Company                                      | N/A |

### Supplementary Explanation

- The status of Major Shareholders shown above is the situation as of March 31, 2023.
- In addition to the 2,413,500 shares in a retirement benefits trust mentioned above, Mizuho Bank, Ltd. has a further 173 shares in the Company. And in addition to the 1,365,050 shares above, Asahi Mutual Life Insurance Company. has a further 1,050,000 shares in a retirement benefits trust mentioned.
- The status of Major Shareholders shown above does not include the following reports on possession of large volume and change reports pertaining to reports on possession of large volume, as it is not possible for us to confirm the actual status of the shareholding ratio as of March 31, 2023.

• The change report, which was disclosed to the public on December 22, 2020, states that it holds the following shares as of December 15, 2020.

| Name of shareholders             | Number of shares owned (shares) | Holding ratio (%) |
|----------------------------------|---------------------------------|-------------------|
| Mizuho Bank, Ltd.                | 2,413,673                       | 3.42              |
| Mizuho Securities Co., Ltd       | 350,100                         | 0.50              |
| Mizuho Trust & Banking Co., Ltd. | 354,900                         | 0.50              |
| Asset Management One Co., Ltd.   | 2,099,200                       | 2.97              |

• The change report, which was disclosed to the public on July 21, 2022, states that it holds the following shares as of July 15, 2022.



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| Name of shareholders              | Number of shares owned(shares) | Holding ratio (%) |
|-----------------------------------|--------------------------------|-------------------|
| Nomura Securities Co.,Ltd.        | 169,461                        | 0.24              |
| NOMURA INTERNATIONAL PLC          | 45,692                         | 0.06              |
| Nomura Asset Management Co., Ltd. | 4,859,200                      | 6.88              |

• The change report, which was disclosed to the public on August 4, 2022, states that it holds the following shares as of July 29, 2022.

| Name of shareholders                             | Number of shares owned(shares) | Holding ratio (%) |
|--|--------------------------------|-------------------|
| Sumitomo Mitsui Trust Asset Management Co., Ltd. | 4,709,400                      | 6.66              |
| Nikko Asset management Co.,Ltd.                  | 1,376,500                      | 1.95              |

### 3. Corporate Attributes

|   |                              |
|---|------------------------------|
| Listed Stock Market and Market Section  | Tokyo Stock Exchange (Prime) |
| Fiscal Year-End   | March                        |
| Type of Business  | Nonferrous Metals            |
| Number of Employees (consolidated) as of the End of the Previous Fiscal Year  | More than 1000               |
| Sales (consolidated) as of the End of the Previous Fiscal Year                | More than ¥1 trillion        |
| Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year | From 100 to less than 300    |

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

N/A

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

The Company strives to strengthen the management structure and increase corporate value of the entire Group through the following measures: while respecting the independence of business management of subsidiaries/affiliates, the Company gets a picture of their overall business management, including compliance and risk management, and ensures sound management of each company by offering advice and support, etc. concerning the development of their legal compliance and internal control systems, and providing appropriate guidance about business management; and the Company also dispatches Directors and other officers to the Group companies.

Our subsidiary, the Furukawa Battery Co., Ltd., is listed on the Tokyo Stock Exchange. The Company pursues business synergy with this subsidiary through providing our insights into materials and promoting joint R&D activities, cooperating for the improvement of the operating base for activities to ensure quality and safety, and providing staffing. Maintaining the listed status of this subsidiary contributes to capturing excellent human resources that are important management resources of the subsidiary, maintaining and

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increasing the motivation of its officers and employees, and flexibly raising funds from the capital market. Therefore, we believe it is sufficiently rational to maintain its listed status.

Considering that there is a structural risk of conflict of interest between the Company and minority shareholders of the subsidiary, we have taken measures to protect interests of minority shareholders of the subsidiary. Specifically, its Board of Directors includes at least one third of independent directors. In addition, the subsidiary established the Conflict of Interest Management Committee comprising a majority of independent directors as a body to judge the rationality and fairness of transactions with the parent company. We continue to work with the subsidiary to develop/strengthen its effective governance systems by effectively using independent directors.

[Translation for Reference Purpose Only]

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

|                   |                           |
|-------------------|---------------------------|
| Organization Form | Audit & Supervisory Board |
|-------------------|---------------------------|

#### [Directors]

|   |  |
|---|--|
| Maximum Number of Directors Stipulated in Articles of Incorporation | 20   |
| Term of Office Stipulated in Articles of Incorporation              | 1 year   |
| Chairperson of the Board  | Company Chairperson except for concurrently serving as president |
| Number of Directors   | 11   |
| Appointment of Outside Directors                                    | Appointed  |
| Number of Outside Directors   | 5  |
| Number of Independent Directors                                     | 5  |

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

| Name              | Attribute            | Relationship with the Company* |   |   |   |   |   |   |   |   |   |   |
|-------------------|----------------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|
|                   |                      | a                              | b | c | d | e | f | g | h | i | j | k |
| Osamu Tsukamoto   | Other                |                                |   |   |   |   |   |   | ○ |   |   |   |
| Takashi Tsukamoto | From another company |                                |   |   |   | △ |   |   |   |   |   |   |
| Yoshiro Miyokawa  | From another company |                                |   |   |   |   |   |   |   |   |   |   |
| Yukiko Yabu       | From another company |                                |   |   |   |   |   |   | △ |   |   |   |
| Tamotsu Saito     | From another company |                                |   |   |   |   |   |   |   |   |   |   |

\* Categories for "Relationship with the Company"

\* "○" 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;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*Audit & Supervisory Board Member*

g. Major shareholder of the Company (or an executive of the 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 outside directors/*Audit & Supervisory Board Members* are mutually appointed (the director himself/herself only)

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

Outside Directors' Relationship with the Company (2)

| Name              | Designation as Independent Director | Supplementary Explanation of the Relationship   | Reasons of Appointment  |
|-------------------|-------------------------------------|---|---|
| Osamu Tsukamoto   | ○                                   | <p>An advisory contract was entered into by and between Mr. Tsukamoto and the Company in October 2010. Since then, the Company has been receiving professional advice from him on the business fields of the Company Group. After he became an Outside Director in June 2013, the Company continued to pay compensations for his advice in his area of expertise in addition to the remuneration for Outside Director and will continue to do so after he is re-elected as a Director. The amount of the compensation which the Company has paid to him so far and will pay this year is less than ¥5 million, which is lower than the threshold specified in the Company's Independence Standards.</p> | <p>Mr. Osamu Tsukamoto has many years of experience in industrial policies at the Ministry of Economy, Trade and Industry as well as broad knowledge especially in environment and energy fields, despite the fact that he has not been directly involved in corporate management other than serving as an outside director of the Company. Since he assumed the position of Outside Director of the Company, he has actively provided advice and suggestions mainly on research &amp; development, business strategy, and product quality, taking into account the government's economic policies and market trends. While the Group will further focus on developing new technologies and new businesses, his advice and recommendations backed by his in-depth insights into industry policies, especially in the environment and energy areas, will be extremely useful. In addition, the Company expects that he will contribute to strengthening the oversight function of the Board of Directors from an independent viewpoint. Therefore, the Company requests his re-election as an Outside Director.</p> <p>Concerning Mr. Osamu Tsukamoto, in light of the independence Standards for outside officers specified by the Tokyo Stock Exchange and the Company, it is our judgement that he is independent from the Company, and the Company has registered him as an independent officer.</p> |
| Takashi Tsukamoto | ○                                   | <p>Mizuho Bank, Ltd., where Mr. Takashi Tsukamoto served as President &amp; CEO in the past, and the Group borrowed ¥68,359 million in FY2022. Mr. Tsukamoto, however,</p>  | <p>Mr. Takashi Tsukamoto has held several leadership positions, including Director in charge of Finance and Representative Director, in a financial institution, and has a wealth of experience and extensive</p>   |

[Translation for Reference Purpose Only]

| Name | Designation as Independent Director | Supplementary Explanation of the Relationship     | Reasons of Appointment   |
|------|-------------------------------------|---|--|
|      |                                     | retired from the executive position in June 2013. | <p>knowledge of overall corporate management, including finance and accounting. Since he assumed the position of Outside Director of the Company in 2021, he has actively provided advice and recommendations mainly on business strategy, group management, financial policies and investor relations from the perspectives of the Group's global management as well as shareholders and other stakeholders. Furthermore, he has demonstrated his leadership as the chairperson of Nominating/Compensation Committee as well as Outside Officers Committee, while taking initiative as the lead outside officer by sharing the recognition of the Company's management challenges among outside officers and by ensuring cooperation between outside officers and the management/Audit &amp; Supervisory Board (Members). As such, he has significantly contributed to improving the Company's corporate governance. As the Group will work on strengthening the corporate governance system and promoting global corporate management, his advice and recommendations on corporate management and finance/accounting based on his experience and expertise, as well as his leadership will be extremely beneficial for the Company. In addition, the Company expects that he will contribute to strengthening the oversight function of the Board of Directors from an independent viewpoint. Therefore, the Company requests his re-election as an Outside Director.</p> <p>Concerning Mr. Takashi Tsukamoto, in light of the independence Standards for outside officers specified by the Tokyo Stock Exchange and the Company, it is our judgement that he is independent from the Company. When his appointment is approved, the Company will register him as an independent director.</p> |

[Translation for Reference Purpose Only]

| Name             | Designation as Independent Director | Supplementary Explanation of the Relationship  | Reasons of Appointment   |
|------------------|-------------------------------------|--|--|
| Yoshiro Miyokawa | ○                                   | <p>There is no special interest between Mr. Yoshiro Miyokawa and the Company.</p>  | <p>Mr. Yoshiro Miyokawa assumed prominent administrative positions and served as Representative Director &amp; Vice President at a large pharmaceutical company and has extensive experience and in-depth insight in corporate management, compliance, and corporate governance. Since he assumed the position of Outside Director of the Company, he has actively provided advice and recommendations mainly on corporate governance, business strategy, and human resource development to improve governance of the entire Group. While the Company will work on enhancing the group governance system for the entire Group, his advice and recommendations on corporate management and compliance based on his experience and expertise will be extremely useful. In addition, the Company expects that he will contribute to strengthening the oversight function of the Board of Directors from an independent viewpoint. Therefore, the Company requests his re-election as an Outside Director.</p> <p>Concerning Mr. Yoshiro Miyokawa, in light of the independence Standards for outside officers specified by the Tokyo Stock Exchange and the Company, it is our judgement that he is independent from the Company, and the Company has registered him as an independent officer.</p> |
| Yukiko Yabu      | ○                                   | <p>Between the Company and Panasonic Corporation, for which Ms. Yukiko Yabu worked until March 2014, there is a business relationship where the Company sells metal products to Panasonic Corporation. However, the total trading amount in FY2022 was approx. ¥2,083 million, and therefore, the amount is quite small.</p> | <p>Ms. Yukiko Yabu has served as outside director of several listed companies including our Company, although she has not engaged in corporate management in any other capacity; and has a wealth of experience and advanced knowledge of customer-oriented marketing and product development based on her experience with a leading electrical appliance manufacturer. Since she assumed the position of Outside</p>  |

[Translation for Reference Purpose Only]

| Name          | Designation as Independent Director | Supplementary Explanation of the Relationship                           | Reasons of Appointment   |
|---------------|-------------------------------------|---|--|
|               |                                     |   | <p>Director of the Company, she has actively provided advice and recommendations mainly on business strategy, marketing, and diversity from a broad perspective. While the Group will accelerate global sales expansion, her advice and recommendations based on her experience and expertise in marketing and product development, among others, will be extremely useful. In addition, the Company expects that she will contribute to strengthening the oversight function of the Board of Directors from an independent viewpoint. Therefore, the Company requests her re-election as an Outside Director.</p> <p>Concerning Ms. Yukiko Yabu, in light of the independence Standards for outside officers specified by the Tokyo Stock Exchange and the Company, it is our judgement that she is independent from the Company, and the Company has registered her as an independent officer.</p>                     |
| Tamotsu Saito | ○                                   | There is no special interest between Mr. Tamotsu Saito and the Company. | <p>Mr. Tamotsu Saito has held several leadership positions including President &amp; Representative Director and Chairperson of one of Japan's leading heavy manufacturers, and has a wealth of experience and extensive expertise of global corporation management and overall manufacturing (monozukuri). Since he assumed the position of Outside Director of the Company, he has actively provided advice and recommendations mainly on business strategy, manufacturing (monozukuri), and financial policies from the perspective of the Group's global management. While the Group plans to further expand business as a manufacturer in the future, his advice and recommendations based on his experience and expertise in corporate management and manufacturing will be extremely useful. In addition, the Company expects that he will contribute to strengthening the oversight function of the Board of</p> |

[Translation for Reference Purpose Only]

| Name | Designation as Independent Director | Supplementary Explanation of the Relationship | Reasons of Appointment   |
|------|-------------------------------------|---|--|
|      |                                     |   | <p>Directors from an independent viewpoint. Therefore, the Company requests her re-election as an Outside Director.</p> <p>Concerning Mr. Tamotsu Saito, in light of the independence Standards for outside officers specified by the Tokyo Stock Exchange and the Company, it is our judgement that he is independent from the Company, and the Company has registered him as an independent officer.</p> |

|   |             |
|---|-------------|
| Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee | Established |
|---|-------------|

#### Committee's Name, Composition, and Attributes of Chairperson

|                       | Committee Corresponding to Nomination Committee | Committee Corresponding to Remuneration Committee |
|-----------------------|---|---|
| Committee's Name      | Nominating/Compensation Committee               | Nominating/Compensation Committee                 |
| All Committee Members | 7   | 7   |
| Full-time Members     | 0   | 0   |
| Inside Directors      | 2   | 2   |
| Outside Directors     | 5   | 5   |
| Outside Experts       | 0   | 0   |
| Other                 | 0   | 0   |
| Chairperson           | Outside Director                                | Outside Director                                  |

#### Supplementary Explanation

The Company established the Nominating/Compensation Committee, which has functions of both Nomination Committee and Remuneration Committee. The Committee has deliberations on the nomination of Directors and other officers and their remuneration, etc., aiming at ensuring the objectivity and transparency concerning such matters, and strengthening corporate governance. The Committee consists of at least 5 members (the majority being Outside Directors) appointed by resolution of the Board of Directors; and the Committee Chairperson is chosen, basically among Outside Directors, by the Committee members. As of the submission date of this Report, the Committee has 7 members; namely, Osamu Tsukamoto (Outside Director), Takashi Tsukamoto (Outside Director/Committee Chair), Yoshiro Miyokawa (Outside Director), Yukiko Yabu (Outside Director), Tamotsu Saito (Outside Director), Keiichi Kobayashi (Director/Chairperson of the Board), and Hideya Moridaira (Representative Director & President).

[Activity Status of the Nomination/Compensation Committee in FY2022]

In FY2022, the Nomination/Compensation Committee met 9 times.



The main considerations of the Nomination/Compensation Committee were the management execution system for Nomination and the executive compensation system for Compensation.

The attendance status of individual Committee members in FY2022 is as follows.

[Name/The Number of Attendance at the Board of Directors Meetings]

Osamu Tsukamoto/9 out of 9 times (100%)

Takashi Tsukamoto/9 out of 9 times (100%)

Yoshiro Miyokawa/9 out of 9 times (100%)

Yukiko Yabu/9 out of 9 times (100%)

Tamotsu Saito/9 out of 9 times (100%)

Mitsuyoshi Shibata/9 out of 9 times (100%)

Keiichi Kobayashi/9 out of 8 times (88.9%)

[Matters to be deliberated by Nominating/Compensation Committee]

(1) Nominating/Compensation Committee deliberates the following matters in response to inquiries from the Board of Directors, and reports the results to the Board:

- (i) Proposal for shareholders' meeting concerning election/removal of Directors and Audit & Supervisory Board Members
- (ii) Appointment/dismissal of Representative Director, Chairman of the Board, and President
- (iii) Appointment/removal of Corporate Vice Presidents
- (iv) Appointment/dismissal of senior Corporate Vice Presidents (Corporate Senior Executive Vice President, Corporate Executive Vice President, and Corporate Senior Vice President)
- (v) Policy about Remuneration of Directors and Corporate Vice Presidents

(2) Nominating/Compensation Committee deliberates and determines the following matters delegated by the Board of Directors:

- (i) Evaluation of Directors and Corporate Vice Presidents
- (ii) System concerning remuneration, etc. for Directors and Corporate Vice Presidents based on the policy decided by the Board of Directors following the report set forth in item (v) of the above section (1)
- (iii) Details of remuneration, etc. for individual Directors and Corporate Vice Presidents based on the policy decided by the Board of Directors following the report set forth in item (v) of the above section (1)
- (iv) Proposal for shareholders' meeting concerning remuneration, etc. for Directors and Audit & Supervisory Board Members
- (v) Guidelines on remuneration, etc. for representatives of affiliated companies
- (vi) Policy on the term of office for Directors and Corporate Vice Presidents and the treatment after they leave office
- (vii) Content of draft proposal on appointment/removal of Special Advisers/Honorary Advisers and their remuneration
- (viii) Content of succession plans for the management

(3) Nominating/Compensation Committee deliberates and determines program details and policies on training for Directors, Audit & Supervisory Board Members, and Corporate Vice Presidents.

[Translation for Reference Purpose Only]

**[Audit & Supervisory Board Members]**

|   |             |
|---|-------------|
| Establishment of Audit & Supervisory Board  | Established |
| Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation | 6           |
| Number of Audit & Supervisory Board Members   | 6           |

**Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Departments**

Audit & Supervisory Board Members, the Auditing Department, and Accounting Auditors work closely with each other through regular information sharing and discussion on annual audit planning and audit reports, in order to reinforce the three-way audit system.

(1) Cooperation between Audit & Supervisory Board Members and Accounting Auditors  
 Audit & Supervisory Board Members have interviews with Accounting Auditors about their auditing policies/plans and receive detailed explanations on interim and year-end reporting, thereby making judgments on the appropriateness of audit results by the Accounting Auditors. Furthermore, by exchanging opinions as needed, the Members address changes in laws and regulations; as for any issue which Accounting Auditors pointed out as a fraud, deficiency, or problem, the Members conduct on-site inspections (including remote auditing by using a web conference system), hearing investigations, etc. to find out/confirm the status of improvement.

(2) Cooperation between Audit & Supervisory Board Members and Internal Audit Department  
 Audit & Supervisory Board Members have interviews with Auditing Department, which conducts internal audits, and through regular exchange of opinions, typically through monthly information exchange meetings between full-time Audit & Supervisory Board Members and Auditing Department, the Members gain adequate understanding of the status of the Company, aiming at maintaining the sound management of the Group.

(3) Initiatives to Ensure the Effectiveness of Internal Auditing  
 To ensure the effectiveness of internal audits, Auditing Department reports directly to President, and we have in place a mechanism where Auditing Department regularly reports to the Board of Directors and Audit & Supervisory Board Members. In case an internal audit found that there is suspected involvement of senior management (executive directors including representative director, and Corporate Vice Presidents) in a fraud, deficiency, or problem, a priority shall be given to reporting to Audit & Supervisory Board Members.

|  |           |
|--|-----------|
| Appointment of Outside Audit & Supervisory Board Members | Appointed |
| Number of Outside Audit & Supervisory Board Members      | 3         |
| Number of Independent Audit & Supervisory Board Members  | 3         |

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

| Name           | Attribute            | Relationship with the Company* |   |   |   |   |   |   |   |   |   |   |   |   |
|----------------|----------------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|---|---|
|                |                      | a                              | b | c | d | e | f | g | h | i | j | k | l | m |
| Kunihiko Sakai | Lawyer               |                                |   |   |   |   |   |   |   |   | ○ |   |   |   |
| Sayaka Sumida  | CPA                  |                                |   |   |   |   |   |   |   |   | △ |   |   |   |
| Takao Shiomi   | From another company |                                |   |   |   |   |   | △ |   |   | △ | △ |   |   |

\* Categories for "Relationship with the Company"

\* "○" 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;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiary

b. Non-executive director or accounting advisor of the Company or its subsidiaries

c. Non-executive director or executive of a parent company of the Company

d. An Audit & Supervisory Board Member of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board Member

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

j. 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)

k. Executive of a company, between which and the Company 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 Member's Relationship with the Company (2)

| Name           | Designation as Independent Audit & Supervisory Board Member | Supplementary Explanation of the Relationship  | Reasons of Appointment   |
|----------------|---|--|--|
| Kunihiko Sakai | ○   | Mr. Sakai has served as Advisor Attorney of TMI Associates since April 2017. There is a transaction related to legal consultation between the Company and TMI Associates in the amount of approximately ¥6 million per year for FY2022, which is lower than the threshold specified in the Company's Independence Standards. The | Although Mr. Kunihiko Sakai does not have direct experience in corporate management, he has long years of experience as a legal professional including overseas experience, and has significant insights into such areas as corporate governance, legal risk management, and compliance. Since he assumed the position of Outside Audit & Supervisory Board Member of the Company, he has actively expressed his |

[Translation for Reference Purpose Only]

| Name          | Designation as Independent Audit & Supervisory Board Member | Supplementary Explanation of the Relationship   | Reasons of Appointment   |
|---------------|---|---|--|
|               |   | <p>transaction was of a one-time nature related to legal consultation rather than of a continuous nature under an adversary contract, and Mr. Sakai was not involved in the transaction.</p>  | <p>opinions mainly on legal regulations in various countries and responses to legal actions at Board of Directors meetings and Audit &amp; Supervisory Board meetings from the perspective of risk management. Furthermore, through his experience as an Outside Audit &amp; Supervisory Board Member of the Company, he has profound knowledge of how our Group's compliance system was established and the current situation of our business operations. Accordingly, the Company expects that he will make appropriate points and express appropriate opinions for maintaining/improving its internal control system, including risk management, and maintaining sound management. The Company expects that he will provide appropriate advice and opinions to contribute to strengthening the Company's audit system. Therefore, the Company appointed him as Outside Audit &amp; Supervisory Board Member, believing that he is qualified for the position.</p> <p>Concerning Mr. Kunihiko Sakai, in light of the independence Standards for outside officers specified by the Tokyo Stock Exchange and the Company, it is our judgement that he is independent from the Company, and the Company has registered him as an independent officer.</p> |
| Sayaka Sumida | ○   | <p>Ms. Sayaka Sumida had served as Partner of KPMG AZSA LLC ("KPMG") until March 2020. The Company has a business relationship with KPMG where it provides financial and accounting consulting services to the Company. The annual trade value in FY2022 was approx. ¥33 million, which is less than the threshold set forth in the Company's Independence Standards. KPMG, to which she used to belong, has never been engaged in auditing of the Company, and she was not</p> | <p>Although Ms. Sayaka Sumida does not have direct experience in corporate management, she has extensive familiarity with audits of financial statements and audits of internal control from her long experience as a certified public accountant. Besides, as Executive Board Member of the Japanese Institute of Certified Public Accountants, she has engaged in developing and revising Japanese audit standards which are aligned mainly with the International Standard on Auditing (ISA), and has also served as a member of Business Accounting Council of the Financial Services Agency, and thus has a wealth of experience in and extensive knowledge</p>   |

[Translation for Reference Purpose Only]

| Name         | Designation as Independent Audit & Supervisory Board Member | Supplementary Explanation of the Relationship   | Reasons of Appointment   |
|--------------|---|---|--|
|              |   | <p>involved in accounting audits of the Company during her service at KPMG. Furthermore, she has never been involved in the business between the Company and KPMG with regard to financial and accounting consulting services.</p>  | <p>of finance and accounting. Since she assumed the position of Outside Audit &amp; Supervisory Board Member of the Company, she has actively expressed her opinion mainly on group company management and finance/accounting at Board of Directors meetings and Audit &amp; Supervisory Board meetings from the perspective of risk management. The Company expects that her experience and knowledge will contribute to strengthening the Company's audit system, and therefore, appointed her as Outside Audit &amp; Supervisory Board Member, believing that she is qualified for the position.</p> <p>Concerning Ms. Sayaka Sumida, in light of the independence Standards for outside officers specified by the Tokyo Stock Exchange and the Company, it is our judgement that he is independent from the Company, and the Company has registered her as an independent officer.</p>   |
| Takao Shiomi | ○   | <p>Mr. Takao Shiomi served as a director of ITOCHU Corporation ("ITOCHU") from June 2012 to March 2016. Between ITOCHU and the Company, there is a business relationship where our subsidiary sells its products to overseas customers using ITOCHU as its agent, but the annual trade value in FY2022 was as small as approx. ¥3,823 million. In addition, Mr. Takao Shiomi served as a director of ISUZU MOTORS LIMITED ("ISUZU") from June 2016 to June 2018. Between ISUZU and the Company, there is a business relationship where the Company sells automotive parts, etc. to ISUZU. The annual trade value in FY2022 was approx. ¥8,987 million. Furthermore, since June 2018, Mr. Mitsuyoshi Shibata (who retired from the position of the Company's director at the end of its annual</p> | <p>Mr. Takao Shiomi has experience in corporate management in various industries, including a large trading company, financial institution, and manufacturer. He has a wealth of experience in and profound knowledge of overall corporate management, including finance and accounting. Since he assumed the position of Outside Audit &amp; Supervisory Board Member of the Company, he has actively expressed his opinions mainly on enterprise management at Board of Directors meetings and Audit &amp; Supervisory Board meetings from the perspective of risk management. The Company expects that his experience and knowledge will contribute to strengthening the Company's audit system, and therefore, appointed him as Outside Audit &amp; Supervisory Board Member, believing that he is qualified for the position.</p> <p>Concerning Ms. Sayaka Sumida, in light of the independence Standards for outside officers specified by the Tokyo Stock Exchange and the Company, it is</p> |

[Translation for Reference Purpose Only]

| Name | Designation as Independent Audit & Supervisory Board Member | Supplementary Explanation of the Relationship  | Reasons of Appointment   |
|------|---|--|--|
|      |   | shareholders meeting held on June 23 of this year) has served as an outside director of ISUZU, where Mr. Shiomi used to serve as a director. | our judgement that he is independent from the Company, and the Company has registered him as an independent officer. |

**[Independent Directors/Audit & Supervisory Board Members]**

|   |   |
|---|---|
| Number of Independent Directors/Audit & Supervisory Board Members | 8 |
|---|---|

**Matters relating to Independent Directors/Audit & Supervisory Board Members**

The " Independence Standards for Outside Officers" (established on May 11, 2015, revised on May 10, 2017) set by the Board of Directors of the Company are as follows.

[Independence Standards for outside officers specified by the Company]

If none of the following attributes are applicable to the relevant outside Directors and outside Audit & Supervisory Board Members (including candidates), the Company considers that they are Independent Directors and Audit & Supervisory Board Members without the possibility of creating any conflict of interest with general shareholders.

- (i) Person belonging to a company whose main clients include the Company (a client who provides products or services to the Company and whose amount of transactions with the Company is equivalent to more than 2% of the client's annualized total sales in the most recent fiscal year) or who engages in such operations.
- (ii) Person belonging to a company which is one of the Company's main clients (a client to whom the Company provides products or services and whose amount of transactions with the Company is equivalent to more than 2% of the Company's annualized total sales in the most recent fiscal year) or who engages in such operations.
- (iii) Person who engages in operations at a financial institution which is a main lender to the Company (a lender whose amount of loans is equivalent to more than 2% of the Company's total assets in the most recent years).
- (iv) Person who receives monetary or other economic benefits from the Company of JPY 10 million or more a year, over and above officer's remuneration, in the capacity of such an expert as a consultant, accountant, lawyer, or who belongs to any legal entity which receives JPY 100 million a year from the Company.
- (v) Person who has fallen under items (i) to (iv) during any period within the past three years.
- (vi) Relative of the person who falls under items (i) to (v) above, within the second degree of kinship.
- (vii) Any other person in breach of standards for independence set out by Tokyo Stock Exchange, Inc.

\* Even if items (i) to (vii) are not applicable, the Company may determine that the person is not independent depending on factors such as the amount of transactions at subsidiaries of the Company or those of the relevant client to which the person belongs.

The Company designates all outside officers who meet the qualifications of independent officers as independent officers. In addition, the Company holds regular Outside Officers Committee in order to give opportunities to Outside Officers to exchange opinions and establish a shared understanding of the Company from an objective viewpoint, and to enable the resulting opinions to be reported to the Board of Directors if necessary. The Company held four (4) Outside Officers Committee during the year. The chairperson of the

[Translation for Reference Purpose Only]

Outside Officers Committee is The Center of Outside Officers(Lead Independent Outside Director) who is appointed by mutual vote among outside officers from independent outside directors. Currently Mr. Takashi Tsukamoto is in charge.  
 The policy regarding the number of outside directors is stipulated in “2. Independent Outside Officers” of Chapter 3, Section 6.

**[Incentives]**

|                                  |                                 |
|----------------------------------|---------------------------------|
| Incentive Policies for Directors | Performance-linked Remuneration |
|----------------------------------|---------------------------------|

Supplementary Explanation

With respect to the policy for determining percentages of performance-linked remuneration and other remuneration, indicators used for performance-linked remuneration and reasons for selecting such indicators, and the method to determine amounts of performance-linked remuneration, details are provided in “II. 1. Form of Organizational Structure and Operational Management 【Directors’ Remuneration】 Disclosure of Policy on Determining Remuneration Amounts and Calculation Method” of this Report.

|                             |     |
|-----------------------------|-----|
| Recipients of Stock Options | N/A |
|-----------------------------|-----|

Supplementary Explanation

N/A

**[Director Remuneration]**

|  |                          |
|--|--------------------------|
| Disclosure of Individual Directors’ Remuneration | No Individual Disclosure |
|--|--------------------------|

Supplementary Explanation

In its Business Reports and Securities Reports, the Company discloses the total remuneration amount for each of the following positions: Directors, Audit & Supervisory Board Members, Outside Directors, and Outside Audit & Supervisory Board Members. The Company also discloses the total remuneration amounts by remuneration type.  
 Since there is no one who receives performance-linked remuneration exceeding 100 million yen, the Company does not disclose amounts of remuneration for individual officers

|  |             |
|--|-------------|
| Policy on Determining Remuneration Amounts and Calculation Methods | Established |
|--|-------------|



Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The Company’s policies for determining officers’ remuneration are as stated below:

[1] Policy for determining remuneration for officers

The remuneration for Directors and other officers shall be determined in a way that encourages each officer to exert his/her abilities to the maximum level and proactively fulfill his/her duties so that the Group will increase its corporate value and achieve sustainable growth while contributing to the society through its business activities.

[2] Policy for determining remuneration for individual officer by element

In accordance with the above-mentioned policy, the Board of Directors resolved to approve the policy for determining remuneration for individual directors and officers (hereinafter, “Individual Remuneration Policy”). The Nominating/Compensation Committee confirms adequacy, effectiveness and appropriateness of plan design and level of remuneration every year, by means of outside survey that is comparing the Company’s remuneration level with those of other similar size 30 manufacturing companies.

The Company’s remuneration for officers consists of base salary, short-term performance-linked remuneration (on an individual level), short-term performance-linked remuneration (on the company level) and Mid-to-long-term performance-linked remuneration; and the Individual Remuneration Policy for determining an amount of each remuneration element is as follows:

| Element of remuneration                                    | Overview  | Recipient                        |                  |   |                                  |
|--|---|----------------------------------|------------------|---|----------------------------------|
|  |   | Director except Outside Director | Outside Director | Corporate Vice President and Senior Fellow, except Director | Audit & Supervisory Board Member |
| Base salary  | This element is paid in cash in a fixed amount every month, and the amount is determined depending on his/her role (e.g. management oversight or business execution) and official position.   | ●                                | ●                | ●   | ●                                |
| Short-term performance-linked remuneration (individual)    | This element is paid in cash every month, and the amount paid to each officer is determined by the Nominating/Compensation Committee upon comprehensively evaluating achievements <sup>*1</sup> of the relevant business plan in the previous fiscal year, such as operating income and inventory balance in the division(s) he/she is in charge of, and the status of relevant measures. | ●                                | —                | ●   | —                                |
| Short-term performance-linked remuneration (company level) | This element is paid in cash once a year, and the amount is fixed according to the evaluation criterion <sup>*2</sup> based on consolidated operating income, as defined by the Nominating/Compensation Committee.  | ●                                | —                | ●   | —                                |
| Mid-to-long-term performance-linked remuneration           | This is the stock remuneration program <sup>*3</sup> , under which directors and officers are paid with the Company’s stocks acquired by the Trust that was funded by the Company.  | ●                                | —                | ●   | —                                |



[Notes]

1. Short-term performance-linked remuneration (on an individual level) is designed for comprehensively evaluating achievements of individual business(es). For the evaluation, score is used for measuring achievements versus planned operating income and inventory reduction, achievements versus safety and quality targets, etc., and risk readiness, and an evaluation is made based on a total score.
2. For short-term performance-linked remuneration (on the company level), we adopted consolidated operating income as an indicator for ensuring the Company's performance in a relevant fiscal year is appropriately and clearly reflected to the remuneration. The following table shows remuneration amount corresponding to consolidated operating income, which is the evaluation criterion here, and official position. The Nominating/Compensation Committee regularly checks and reviews this table to ensure the remuneration levels are adequate, taking into account consolidated operating income in the past several years.

- Short-term performance-linked remuneration table corresponding to consolidated operating income and official position (on the company level)

| Officer classification                        | Operating Profit             |                                 |                                 |                                 |                                 |                                 |                              |
|---|------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|------------------------------|
|   | 650~<br>(JPY 100<br>million) | 550~650<br>(JPY 100<br>million) | 450~550<br>(JPY 100<br>million) | 350~450<br>(JPY 100<br>million) | 250~350<br>(JPY 100<br>million) | 150~250<br>(JPY 100<br>million) | ~150<br>(JPY 100<br>million) |
| Chairman of the Board                         | 19,500                       | 16,088                          | 12,675                          | 9,750                           | 7,800                           | 4,875                           | –                            |
| President (Representative)                    | 34,000                       | 28,050                          | 22,100                          | 17,000                          | 13,600                          | 8,500                           | –                            |
| Corporate Senior Executive<br>Vice President  | 20,800                       | 17,160                          | 13,520                          | 10,400                          | 8,320                           | 5,200                           | –                            |
| Corporate Executive Vice<br>President         | 16,500                       | 13,613                          | 10,725                          | 8,250                           | 6,600                           | 4,125                           | –                            |
| Corporate Senior Vice<br>President            | 10,000                       | 8,250                           | 6,500                           | 5,000                           | 4,000                           | 2,500                           | –                            |
| Corporate Vice Presidents /<br>Senior Fellows | 5,400                        | 4,455                           | 3,510                           | 2,700                           | 2,160                           | 1,350                           | –                            |

Note that the Company has partially amended the remuneration system for officers mainly for the purpose of the remuneration for officers other than Outside Directors and Audit & Supervisory Board Members more explicitly reflecting the results of initiatives toward ESG-related matters. The amended remuneration system for officers is scheduled to come into effect in July 2023.

The amended short-term performance-linked remuneration table corresponding to consolidated operating income and official position (on the Company level) is as follows:

| Officer classification                       | Operating Profit             |                                 |                                 |                                 |                                 |                                 |                              |
|--|------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|------------------------------|
|  | 650~<br>(JPY 100<br>million) | 550~650<br>(JPY 100<br>million) | 450~550<br>(JPY 100<br>million) | 350~450<br>(JPY 100<br>million) | 250~350<br>(JPY 100<br>million) | 150~250<br>(JPY 100<br>million) | ~150<br>(JPY 100<br>million) |
| Chairman of the Board                        | 15,100                       | 12,458                          | 9,815                           | 7,550                           | 6,040                           | 3,775                           | –                            |
| President (Representative)                   | 29,600                       | 24,420                          | 19,240                          | 14,800                          | 11,840                          | 7,400                           | –                            |
| Corporate Senior Executive<br>Vice President | 18,000                       | 14,850                          | 11,700                          | 9,000                           | 7,200                           | 4,500                           | –                            |

[Translation for Reference Purpose Only]

|  |        |        |       |       |       |       |   |
|--|--------|--------|-------|-------|-------|-------|---|
| Corporate Executive Vice President         | 14,100 | 11,633 | 9,165 | 7,050 | 5,640 | 3,525 | – |
| Corporate Senior Vice President            | 8,200  | 6,765  | 5,330 | 4,100 | 3,280 | 2,050 | – |
| Corporate Vice Presidents / Senior Fellows | 4,200  | 3,465  | 2,730 | 2,100 | 1,680 | 1,050 | – |

3. For Mid-to-long-term performance-linked remuneration, we adopted the Company's stock price as an indicator, in order to appropriately reflect increased corporate value to remuneration amounts, and to share incentives for increasing corporate value with shareholders. In this stock remuneration program, three fiscal years constitute a performance period and the Company contributes funds up to the maximum amount of ¥450 million per performance period to the Trust as remuneration for Directors and other officers. Directors and officers are granted a pre-determined number of points depending on their titles/positions every year as the basis of their rights to receive the Company's stocks. After the end of each performance period, the number of points qualifying Directors and officers for receiving the Company's stocks are finalized after an adjustment for certain cases, according to the criteria for comparing changes in the Company's stock prices with those of TOPIX during the period. (The actual points to be granted are calculated by multiplying the payout ratio, which is determined by multiplying the degree of divergence of the volatility of the Company's stock price and volatility of TOPIX by the cumulative total points granted during the evaluation period.) In case any of Directors and officers retire from the position during the period, in principle, an adjustment is to be made in a similar manner.

■ Mid-to-long-term performance-linked remuneration: point table by official position (from April 1, 2022 to March 31, 2025)

The maximum total number of points granted to Directors and officers in a performance period is 180,000, and 1 point is convertible into 1 share unit of the Company's common stock.

| Officer classification                               | Number of Point Granted | Number of Stock Granted per period |
|--|-------------------------|------------------------------------|
| Chairman of the Board                                | 7,640                   | 29,796                             |
| President (Representative)                           | 9,340                   | 36,426                             |
| Corporate Senior Executive Vice President (Director) | 4,800                   | 18,720                             |
| Corporate Senior Executive Vice President            | 3,930                   | 15,327                             |
| Corporate Executive Vice President (Director)        | 3,930                   | 15,327                             |
| Corporate Executive Vice President                   | 3,060                   | 11,934                             |
| Corporate Senior Vice President(Director)            | 2,190                   | 8,541                              |
| Corporate Senior Vice President                      | 1,310                   | 5,109                              |
| Corporate Vice President (Director)                  | 1,310                   | 5,109                              |
| Corporate Vice President / Senior Fellow             | 660                     | 2,574                              |

■ Mid-to-long-term performance-linked remuneration: Formula for calculating the degree of divergence

Degree of divergence = Volatility of the Company's stock price / Volatility of TOPIX

Volatility of the Company's stock price = average stock price of the Company in the final year of the evaluation period / average stock price of the Company in the year prior to the start of the evaluation period

Volatility of TOPIX = average TOPIX in the final year of the evaluation period / average TOPIX in the year prior to the start of the evaluation period

- Mid-to-long-term performance-linked remuneration: Rate correspondence table for each degree of deviation

| Deviation (Scope)    | Rate (%) |
|----------------------|----------|
| $X \geq 1.3$         | 130      |
| $1.2 \leq X < 1.3$   | 120      |
| $1.1 \leq X < 1.2$   | 110      |
| $0.95 \leq X < 1.1$  | 100      |
| $0.85 \leq X < 0.95$ | 90       |
| $0.75 \leq X < 0.85$ | 80       |
| $0.65 \leq X < 0.75$ | 70       |
| $0.55 \leq X < 0.65$ | 60       |
| $0.2 \leq X < 0.55$  | 50       |
| $0.2 > X$            | 0        |

- Mid-to-long-term performance-linked remuneration: Formula for determining the number of points granted to individuals during a performance period

Finalized points = (cumulative total points granted to each officer during the evaluation period) x (payout ratio for the evaluation period)

“Payout ratio” represents the percentage of change in the actual remuneration amount as a result of performance evaluation, where the standard amount of the mid-to-long-term performance-linked remuneration is 100%. At the time of their retirement, Directors and Officers receive the Company’s stocks and money calculated by the following formula as the mid-to-long-term performance-linked remuneration from the Trust.

● Number of the Company’s shares to be granted = (cumulative total points as of the vesting date x payout ratio – number of points corresponding to a fraction of shares) x 0.7

If there is a fraction of shares of the Company upon calculation by the above formula, such shares will be disregarded.

● Amount of money to be paid = (Number of points convertible into share units x 0.3 + number of points corresponding to a fraction of shares) x market value of the Company’s stock as of the vesting date

“The number of points convertible into share units” is defined as (cumulative total points as of the vesting date x payout ratio – the number of points corresponding to a fraction of shares).

If there are any points corresponding to a fraction of shares upon calculation by the formula “the number of points convertible into share units x 0.3”, such a fraction will be rounded up to a share unit and added to the number of share units.

The vesting date is defined as the first end date of June after the retirement of Director or Officer, and after the closing of the last fiscal year, in which he/she is eligible for receiving points.

### [3] Policy of Determining the Percentage of Remuneration Paid to Each Individual for Each Remuneration System

In terms of a percentage of each component of remuneration, it is designed as follows: the higher the officer’s rank, the larger the percentage of performance-linked remuneration. When the aggregate total of the standard percentage of each component is 100%, the percentage of each component is shown below:

| Officer classification | Base salary (%) | Short-term performance-linked remuneration |                         | Mid-to-long-term performance-linked remuneration(%) | Total (%) |
|------------------------|-----------------|--|-------------------------|---|-----------|
|                        |                 | (Individual level) (%)                     | (the Company level) (%) |   |           |
| Chairman of the Board  | 55              | 12   | 12                      | 21  | 100       |

[Translation for Reference Purpose Only]

|  |    |    |    |    |     |
|--|----|----|----|----|-----|
| President (Representative)                             | 51 | 15 | 15 | 19 | 100 |
| Director and Corporate Senior Executive Vice President | 55 | 15 | 15 | 15 | 100 |
| Director and Corporate Executive Vice President        | 58 | 14 | 14 | 14 | 100 |
| Director and Corporate Senior Vice President           | 68 | 11 | 11 | 11 | 100 |
| Corporate Senior Executive Vice President              | 54 | 16 | 16 | 14 | 100 |
| Corporate Executive Vice President                     | 56 | 15 | 15 | 14 | 100 |
| Corporate Senior Vice President                        | 67 | 13 | 13 | 8  | 100 |
| Corporate Vice President / Senior Fellow               | 71 | 16 | 8  | 5  | 100 |

[4] Matters concerning the delegation of the determination of remuneration by resolution of the Board of Directors

At the Company, the Board of Directors determines the Individual Remuneration Policy for determining remuneration for individual directors and officers. From the perspective of ensuring the objectivity, fairness and transparency, the Board of Directors partially delegates the authorities related to the matters for deliberation, including the determination of remuneration for individual directors and other officers, to the Nominating/Compensation Committee comprising a majority of Outside Directors.

The Committee comprises seven members, and five members, including the chairperson, are Outside Directors.

The following table shows the Committee composition as of the date when remuneration for individual Directors and Corporate Vice Presidents was determined for the current fiscal year (June 23, 2022).

| Name               | Position  |
|--------------------|---|
| Osamu Tsukamoto    | Outside Director  |
| Takashi Tsukamoto  | Outside Director (Chairperson of Nominating/Compensation Committee) |
| Yoshiro Miyokawa   | Outside Director  |
| Yukiko Yabu        | Outside Director  |
| Tamotsu Saito      | Outside Director  |
| Mitsuyoshi Shibata | Chairperson of the Board and Director                               |
| Keiichi Kobayashi  | President and Representative Director                               |

The activities of the Board of Directors and the Nomination and Compensation Committee in the process of determining the amount of remuneration of Directors and Audit & Supervisory Board Members during the fiscal year under review are as follows.

| Meeting Date / Body                                | Overview   |
|--|--|
| June 9, 2022<br>Nominating/Compensation Committee  | Discussed/evaluated performance of officers during the fiscal year ended March 2022  |
| June 23, 2022 Board of Directors                   | Resolved on delegating the decision on a remuneration amount for each Director and Corporate Vice President to Nominating/Compensation Committee |
| June 23, 2022<br>Nominating/Compensation Committee | Determined the remuneration amount for each Director and Corporate Vice President for the fiscal year ending March 2023                          |

The Board of Directors has received a report from the Nomination and Compensation Committee that the content and method of determining individual director remuneration, etc. determined by the committee are in

line with the decision policy. We have determined that the content of remuneration for each individual is in line with the decision policy.

[5] Remuneration for Directors and Audit & Supervisory Board Members in the fiscal year under review

The total amount of remuneration for Directors and Audit & Supervisory Board Members for the fiscal year under review is as follows.

| Officer classification  | Total remuneration (JPY millions) | Total remuneration by type(JPY millions) |   |  | Number of subject officers (persons) |  |
|---|-----------------------------------|--|---|--|--------------------------------------|--|
|   |                                   | Base salary                              | Short-term performance-linked remuneration (Individual level) | Short-term performance-linked remuneration (the Company level) |                                      | Mid-to-long-term performance-linked remuneration |
| Directors (excluding Outside Directors)   | 362                               | 234                                      | 25  | 25   | 77                                   | 8  |
| Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members) | 92                                | 92                                       | –   | –  | –                                    | 4  |
| Outside Officers  | 110                               | 110                                      | –   | –  | –                                    | 8  |
| Outside directors   | 74                                | 74                                       | –   | –  | –                                    | 5  |
| Outside Audit & Supervisory Board Members   | 36                                | 36                                       | –   | –  | –                                    | 3  |

[Notes]

- The amounts and numbers of officers in the above table include two Directors and one Audit & Supervisory Board Member who retired from the positions due to the expiry of their terms at the end of the 200th Annual Shareholders Meeting held on June 23, 2022 as well as amounts of their remuneration.
- Short-term performance-linked remuneration (on the company level) amounting to ¥25 million will be paid to eight Directors (excluding Outside Directors) in July 2023.
- The amount of mid-to-long-term performance-linked remuneration in the above table is calculated by deeming the number of shares corresponding to the number of points granted for the current fiscal year under the stock remuneration program as the remuneration for the year.
- Short-term performance-linked remuneration (on the company level) falls under the category of performance-linked remuneration. For this remuneration, the Company adopted consolidated operating income as an indicator to appropriately and clearly reflect the Company's business performance during a relevant fiscal year to the remuneration. The Company's consolidated operating income in the current year was ¥15,441 million.
- Mid-to-long-term performance-linked remuneration falls under the categories of performance-linked remuneration as well as non-monetary remuneration. For this remuneration, the Company adopted its stock price, in order to appropriately reflect increased corporate value to remuneration amounts, and to share incentives for increasing corporate value with shareholders. Actual deviation was 0.93 (a reference value calculated by using numerical value in FY2022).

[6] Matters concerning the determination of remuneration of directors and Audit & Supervisory Board Members at annual meeting

[Translation for Reference Purpose Only]

| [Directors and Officers]                                  |  |   |  |
|---|--|---|--|
| Date of resolution of shareholders meeting                | Detail of resolution   | Resolution about Directors numbers                                  | Remuneration type under the current system   |
| 184th Annual Shareholders Meeting (held on June 29, 2006) | Directors' remuneration shall not exceed ¥600 million per year. The above-mentioned maximum amount does not include salaries for employees who serve as Director.  | 11  | <ul style="list-style-type: none"> <li>• Base salary</li> <li>• Short-term performance-linked remuneration (individual)</li> <li>• Short-term performance-linked remuneration (company level)</li> </ul> |
| 197th Annual Shareholders Meeting (held on June 27, 2019) | The maximum amount, which the Company can additionally contribute to the Trust established under the performance-linked stock remuneration program for Directors (excluding Outside Directors) as well as Corporate Vice Presidents and Senior Fellows who are not directors, shall be ¥450 million in every three fiscal years. | 26(7 Directors, 17 Corporate Vice Presidents, and 2 Senior Fellows) | Mid-to-long-term performance-linked remuneration   |

[Notes]

1. The determination on the amount of remuneration for each director is delegated by the Board of Directors to the Nominating/Compensation Committee.
2. The number of directors and other officers subject to the resolutions in the above table is the number of those at the end of the respective Annual Shareholders Meetings concerned. The number of eligible directors about each Remuneration type at the end of 201st Annual Shareholders Meeting is blow.

| Remuneration type under the current system                 | Number of eligible directors about each Remuneration type at the end of 201st Annual Shareholders Meeting |
|--|---|
| Base salary  | 11  |
| Short-term performance-linked remuneration (individual)    |   |
| Short-term performance-linked remuneration (company level) |   |
| Mid-to-long-term performance-linked remuneration           | 29<br>(6 Directors, 20 Corporate Vice Presidents, and 3 Senior Fellows)                                   |

[Translation for Reference Purpose Only]

| [Audit & Supervisory Board Member]                        |   |  |
|---|---|--|
| Date of resolution of shareholders meeting                | Detail of resolution  | Resolution about Audit & Supervisory Board Members numbers |
| 192th Annual Shareholders Meeting (held on June 25, 2014) | Audit & Supervisory Board Members' remuneration shall not exceed 130 million yen per year, and an amount of remuneration for each Audit & Supervisory Board Member is determined by mutual agreement of the Board of Audit & Supervisory Board Members. | 6  |

[Notes]

The number of Audit & Supervisory Board Members subject to the resolution in the above table is the number of those at the end of the Annual Shareholders Meeting concerned. The number of eligible Audit & Supervisory Board Members about Remuneration at the end of 201st Annual Shareholders Meeting is 6.

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

Legal Department serves as the secretariat of the Board of Directors, which provides administrative support for the Board of Directors as well as information and support to officers for deliberations at the Board meetings.

Furthermore, to assist Audit & Supervisory Board Members in performing their duties and to provide administrative support for Audit & Supervisory Board, we assigned staff members whose independence from the management is guaranteed.

The meetings of the Board of Directors are scheduled by making best efforts to ensure Outside Directors and Outside Audit & Supervisory Board Members can attend. Furthermore, in order to ensure that Outside Directors and Outside Audit & Supervisory Board Members have deep understanding of meeting agendas and consider them prior to a meeting of the Board of Directors, the Company distributes reference materials (by using electronic means) a few days prior to the meeting, and where necessary, provides prior explanations on reference materials. Similarly, the meetings of Audit & Supervisory Board are also scheduled by making best efforts to ensure Outside Audit & Supervisory Board Members can attend.

In addition, the Company allows Outside Directors to request a full-time Audit & Supervisory Board Member to provide audit information, and to request Accounting Auditors to provide accounting audit information, as necessary.

**[Retired presidents/CEOs holding advisory positions (Sodanyaku, Komon, etc.)]**

Information on retired presidents/CEOs holding advisory positions (Sodanyaku, Komon, etc.)

| Name                      | Job title/position                    | Responsibilities   | Work Condition<br>Remuneration | Date when<br>former role<br>as president/<br>CEO ended | Term of Office                        |
|---------------------------|---------------------------------------|--|--------------------------------|--|---------------------------------------|
| Hiroshi<br>Ishihara       | Honorary Adviser<br>("Meiyo Komon")   | N/A  | Non-full time<br>None          | June 26,<br>2008                                       | None                                  |
| Masao<br>Yoshida          | Honorary Adviser<br>("Meiyo Komon")   | To engage in<br>activities in the<br>business<br>community and<br>CSR activities | Full time<br>Paid              | March 31,<br>2012                                      | None                                  |
| Mitsuyos<br>hi<br>Shibata | Senior Adviser<br>("Tokubetsu Komon") | To engage in<br>activities in the<br>business<br>community and<br>CSR activities | Full time<br>Paid              | March 31,<br>2017                                      | From June 23,2023<br>to March 31,2028 |

|  |   |
|--|---|
| Number of retired presidents/CEOs holding<br>advisory positions (Sodanyaku, Komon, etc.) | 3 |
|--|---|

Others

- In the Company, a person who retired from the position of President & Representative Director used to serve as Adviser, but from the perspective of ensuring the ideal state of corporate governance and transparency, upon deliberations at Nominating/Compensation Committee, which consists of the majority of Outside Directors and is chaired by an Outside Director, the Company terminated the former Adviser System and introduced Senior Adviser/Honorary Adviser System as of July 1, 2018.
- In principle, Senior Advisers and Honorary Advisers are intended to engage in activities in the business community and CSR activities, and are not involved in the management of the Company and the Group.
- If Senior Advisers engage in significant external affairs for the Group, remuneration may be paid to them.
- The above-mentioned "Date of Retirement from President, etc." refers to the date when the person retired from the position of President & Representative Director of the Company.  
Their career after such Dates of Retirement is summarized as follows:
  - Mr. Hiroshi Ishihara assumed the following positions after his retirement from the position of President & Representative Director: Chairperson of the Board & Representative Director effective from June 26, 2008; Adviser & Director effective from April 1, 2012; Adviser upon his retirement from Advisor & Director at the end of the annual shareholders meeting held on June 26, 2012; Special Advisor effective from July 1, 2018; and then Honorary Adviser effective from July 1, 2019.
  - Mr. Masao Yoshida assumed the following positions after his retirement from the position of President & Representative Director: Chairperson of the Board & Representative Director effective from April 1, 2012; Chairperson of the Board effective from April 1, 2016; Director effective from April 1, 2017; Adviser upon his retirement from Director at the end of the annual shareholders meeting held on June 22, 2017; Special Advisor effective from July 1, 2018; and then Honorary Adviser effective from July 1, 2022.
  - Mr. Mitsuyoshi Shibata assumed the following positions after his retirement from the position of President & Representative Director: Chairperson of the Board effective from April 1, 2017; Director effective from April 1, 2023; and Special Advisor upon his retirement from Director at the end of the annual shareholders meeting held on June 23, 2023.



[Translation for Reference Purpose Only]

to the scheduled term of office for the current position (in case of Senior Adviser, it includes the term of office as former Adviser before the change of the System).

As a general rule, the maximum term of office as Senior Adviser is 5 years; and Senior Advisers' activities and remuneration are regularly reported to Nominating/Compensation Committee.

After the termination of the term as Senior Adviser, the person assumes a position of Honorary Adviser, the term of which is not fixed.

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

The Board of Directors of the Company consists of 11 Directors, 5 of whom are Outside Directors (all of them are registered at the Tokyo Stock Exchange as independent officers). The Board of Directors is chaired by non-executive Chairperson of the Board who does not have representative rights. The Audit & Supervisory Board consists of 6 Members, 3 of whom are Outside Members (all of them are registered at the Tokyo Stock Exchange as independent officers). The Outside Officers of the Company have extensive experience in financial institutions, trading companies, and business corporations or expert knowledge and experience in such areas as laws, finance/accounting, and industrial policies, etc. The Board of Directors, in making decisions, respects Outside Directors' opinions and suggestions from diverse viewpoints based on their experience.

In light of its fiduciary responsibility and accountability to shareholders, the Board of Directors of the Company fulfills its responsibilities to promote sustainable corporate growth and the increase of corporate value over the mid- to long-term, and enhance earnings power and capital efficiency; and therefore, do the following:

- ① Determination of corporate governance-related matters;
- ② Establishment and amendment of business strategies and oversight of execution of such strategies and plans;
- ③ Setting capital allocation policy;
- ④ Appointment and removal of the Management including Representative Director and Corporate Vice President, and determination of the remuneration of them (including delegating these to Nominating/Compensation Committee);
- ⑤ Establishment of an internal control system relating to compliance and financial reporting and risk management systems, and oversight of them;
- ⑥ Decision on important business matters;
- ⑦ Others prescribed by the applicable laws and regulations etc.

[Notes] Upon a request or delegation from Board of Directors, Nominating/Compensation Committee deliberates, determines and reports matters of nominating candidates for Directors and Compensation for Directors etc.

Details are also provided elsewhere in this Report: specifically, in "II. 1. Form of Organizational Structure and Operational Management 【Directors】 Establishment of optional committee, committee composition, and attributes of chairperson" and its Supplementary Explanation.

At the Company, in order to facilitate timely and decisive decision-making on business execution, on the premise that corporate governance mechanisms, including the Board of Directors' supervision of business execution, are working adequately, decision-making on certain matters related to business execution is delegated to the management within the scope permitted by laws and regulations. The specific scope of such delegation is defined in the standards for deliberation with respect to the Board of Directors and the Management Committee, depending on the degree of significance.

In FY2022, the Board of Directors met 17 times to make decisions on important business execution, check the progress of the medium-term business plan and achievement of management targets, including fiscal budgets, and also have deliberations on corporate governance and other fundamental matters related to business management.

The attendance status of individual Directors to the Board of Directors In FY2022 is as follows.

[Name/The Number of Attendance at the Board of Directors Meetings]

Mitsuyoshi Shibata/17 out of 17 times (100%)  
Keiichi Kobayashi/17 out of 17 times (100%)  
Osamu Tsukamoto/17 out of 17 times (100%)  
Takashi Tsukamoto/17 out of 17 times (100%)  
Yoshiro Miyokawa/17 out of 17 times (100%)  
Yukiko Yabu/16 out of 17 times (94.1%)  
Tamotsu Saito/17 out of 17 times (100%)  
Satoshi Miyamoto/17 out of 17 times (100%)  
Akihiro Fukunaga/17 out of 17 times (100%)  
Hideya Moridaira/13 out of 13 times (100%)  
Yoshio Masutani/13 out of 13 times (100%)

[Notes] Since Mr. Hideya Moridaira and Mr. Yoshio Masutani were newly elected at the 200th Annual Shareholders Meeting held on June 23, 2022, the number of the eligible Board of Directors meetings is different from that for other members of the Board of Directors.

The Group's business consists of 12 operating divisions; and business divisions were established for directing and overseeing multiple operating divisions which are closely related to each other. As for our business execution, under the control of President being the chief executive, operations are directed by General Managers of such business divisions as Communications Solutions Division, Energy Infrastructure Division, Electronics Component Material Division, Functional Products Division and Automotive Products Division. In addition, the Company has divisions to perform such head office functions as developing and implementing the Group's business strategies/management plans, establishing and maintaining corporate governance, risk management, and other management systems, and conducting marketing and sales activities; and General Managers of respective divisions lead such functions. These General Managers, in the capacity of executive officers, serve as members of the Management Committee, which is the highest decision-making body of business execution. The Management Committee deliberates and determines major operational matters. Furthermore, the Committee members report the status of business execution on a quarterly basis to ensure effective communications among the executive officers, thus achieving integrated business execution. Furthermore, the status of business execution is reported to the Board of Directors on a quarterly basis.

In order to ensure functional interactions between the Board of Directors' supervision over business execution and executive initiatives for developing the internal control system, the Company established Risk Management Committee and Sustainability Committee chaired by President. Risk Management Committee manages risks in implementing the Group's business strategies, as well as strives to establish and strengthen compliance and an internal control system. The internal control status is regularly reported to the Board of Directors. Sustainability Committee deliberates the Group's basic policy on sustainability, basic points concerning materiality of revenue opportunities/risks, and disclosures of basic information on sustainability, and also checks the progress of such matters. As for materiality of risks which are closely related to the Group's business risks, Risk Management Committee and Sustainability Committee work together for deliberations. While Auditing Department is responsible for internal audits in the Group, the Company established a framework for adequate and objective audits of the entire Group's internal control system through close cooperation between Auditing Department and Audit & Supervisory Board Members.

Audit & Supervisory Board Members conduct audits in accordance with the audit policy and audit plan decided by the Audit & Supervisory Board, and regularly report audit results to the Board of Directors and President. Regular meetings of the Audit & Supervisory Board are generally held at least once in every 2 months. Audit & Supervisory Board Members request Directors/employees of the Company and its subsidiaries to report on matters related to business operations, as necessary. Business divisions report to Audit & Supervisory Board Members about the status of establishing/implementing internal control, and the status of compliance and risk management, including those of subsidiaries, as necessary. Furthermore, each Audit & Supervisory Board Member attends the meetings of the Board of Directors, and has interviews with the President and Representative Director and key Directors and Corporate Vice Presidents to conduct auditing in accordance with the audit policy and audit plan decided by the Audit & Supervisory Board; and reports audit details and results to the Audit & Supervisory Board. Furthermore, full-time Audit & Supervisory Board Members attend the Management Committee meetings, Risk Management Committee meetings,

Sustainability Committee meetings, and other important meetings; and review requests for management approval and other important requests for approval, conduct on-site inspections (including remote audits by using a web conference system) at each division of the Company, its business locations/branches, and R&D laboratories, as well as Group companies in Japan and abroad; and report details and results of such inspections to the Audit & Supervisory Board. Auditing Department, which is responsible for internal auditing, monitors and verifies the management/operating system for overall management activities as well as the status of execution of duties from the perspective of legitimacy and efficiency; and based on such internal audit results, Auditing Department provides internal divisions and the Group companies with information, and offers advice and makes recommendations for the improvement and streamlining. In addition, to enhance audit functions, Audit & Supervisory Board Members, Accounting Auditors, and Auditing Department collaborate with each other, and exchange information and opinions. Upon request from Audit & Supervisory Board Members, the Company appointed two employees, whose independence from the management is secured, to assist Audit & Supervisory Board Members.

Deloitte Touche Tohmatsu LLC has served as Accounting Auditor for the Company since its appointment at the 196th Annual Shareholders Meeting held on June 22, 2018. For the accounting audit for the year ended March 2023, the following three certified public accountants from the Accounting Auditor performed audit work: Mr. Koichi Yano, Mr. Takahiro Ikeda, and Mr. Daijiro Furutani. 25 certified public accountants (excluding the above-mentioned certified public accountants) and 51 other staff members assisted in the accounting audit of the Company.

The Company has agreements to limit liabilities under Paragraph 1, Article 423 of the Companies Act with outside Directors and outside Audit & Supervisory Board Members. The upper limit of liabilities under this agreement is the statutory lower limit.

The Company has concluded an indemnity agreement set forth in Article 430-2, Paragraph 1 with each of Directors and Audit & Supervisory Board Members. The indemnity agreement specifies that the Company shall compensate for expenses set forth in Item 1 and losses set forth in Item 2 of Paragraph 1 of the above-mentioned Article to the extent prescribed by laws and regulations. However, in the indemnity agreement, if bad faith or gross negligence on the part of Directors and other officers was found in relation to their execution of duties, the Company may claim refund of compensation; as such, the Company has taken measures for maintaining the adequacy of the execution of duties of Directors and other officers.

The Company purchased a Directors and Officers Liability Insurance (D&O Insurance) policy, which covers Directors, Audit & Supervisory Board Members, and Corporate Vice Presidents, etc. (including those who retired on March 31, 1994 and thereafter) and their successors, in order to bring in competent people who fulfill expected roles in performing their duties. This insurance policy covers claims against insured directors/officers on the basis of their legal liability for damages caused by their actions (including failure to act) relating to their execution of duties, and litigation expenses that are incurred due to the liability claims against the directors/officers. However, there are some exclusions, for example, a case where the insured knowingly committed an illegal act. The Company bears all of the insurance premium.

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

The Company adopted the current corporate governance system (in the organizational form of Company with the Audit & Supervisory Board), believing that the effectiveness of auditing Directors' execution of duties is secured by institutionally maintaining the independence of the Audit & Supervisory Board and its Members from the Board of Directors, while ensuring their cooperation with Accounting Auditors and Auditing Department. Furthermore, to complement the supervisory function of the Board of Directors, the Company established Nominating/Compensation Committee. The Committee consists of at least five members (where Outside Directors comprises a majority) who are chosen among Directors by resolution of the Board of Directors; and the Committee Chair is, in principle, selected from Outside Directors by the Committee members.

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

#### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

|   | Supplementary Explanations  |
|---|---|
| Early Notification of General Shareholder Meeting | The Notice of Annual Shareholders Meeting held on June 23, 2023.<br>The Company has taken measures for electronic provision of materials for annual shareholders meeting (by posting them on the Company's website and the Tokyo Stock Exchange's website) since May 26, 2023.  |
| Scheduling AGMs Avoiding the Peak Day             | Annual Shareholders Meeting 2023 was held on June 23, 2023.   |
| Allowing Electronic Exercise of Voting Rights     | The Company adopted electronic voting via Internet.   |
| Participation in Electronic Voting Platform       | The Company implemented the voting system by using the electronic voting platform managed by ICJ Inc. for institutional investors.  |
| Providing Convocation Notice in English           | The Notice (in Japanese and English) is posted on the websites of the Tokyo Stock Exchange and the Company.   |
| Other   | From the Annual Shareholders Meeting 2023 held on June 23, the proceeding of the Meeting will be live-streamed.<br>From the Annual Shareholders Meeting 2020 held on June 23, a video of the items to be reported on the day of the Annual Shareholders Meeting will be posted on the website of the Company after the meeting. |

#### 2. IR Activities

|   | Supplementary Explanations   |
|---|--|
| Preparation and Publication of Disclosure Policy                    | The Company formulated its disclosure policy which stipulates that the Company shall comply with the Companies Act, the Financial Instruments and Exchange Act, and other laws and regulations, as well as the Timely Disclosure Rules of the Tokyo Stock exchange, and make timely and appropriate disclosures in accordance to them. The policy is available on our website.   |
| Regular Investor Briefings for Individual Investors                 | Once a year, the Company holds a briefing (either face-to-face or online) for individual shareholders and individual investors.  |
| Regular Investor Briefings for Analysts and Institutional Investors | The Company holds quarterly briefings or teleconferences on quarterly financial results. The Company also holds briefings (either face-to-face or online) on the progress of the Medium-term Management Plan once or twice a year; on business/strategies of its main businesses once a year; and on ESG initiatives once a year.  |
| Regular Investor Briefings for Overseas Investors                   | The Company conducts an investor roadshow (either face-to-face or online) mainly in North America, Europe and Asia once a year for each region.  |
| Posting of IR Materials on Website                                  | The Company posts materials related to financial results, including financial summaries, presentation materials for results briefings, financial statements, securities reports, and quarterly reports, as well as various other materials, including the Medium-term Management Plan, Notices of Shareholders' Meetings, newsletters for investors, integrated reports, and sustainability book, etc. on the website of the Company.<br>As for financial summaries, presentation materials for results briefings, and FACT BOOK, both Japanese and English versions are posted on the website |

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|  | on the date of release. With respect to briefings for analysts and institutional investors, on the next day of a briefing, the Company posts the summary of Q&A session (both Japanese and English versions) on its website, as well as a video or audio file of the presentation (only in Japanese) and text files (both Japanese and English versions). |
| Establishment of Department and/or Manager in Charge of IR | General Manager of Finance & Accounting Division assumes the role of IR officer; and the Investor Relations Department in the above-mentioned Division is designated as the department in charge of IR.   |

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

|   | Supplementary Explanations  |
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| Stipulation of Internal Rules for Respecting the Position of Stakeholders | Furukawa Electric Group Basic Policy on Sustainability stipulates that the Group will strive to maintain and build sound and friendly relationships with all stakeholders, and specific actions are stipulated in relevant rules.   |
| Implementation of Environmental Activities, CSR Activities etc.           | <p>&lt;Furukawa Electric Group Sustainability&gt;</p> <p>The Group makes it a mission to “contribute to the realization of a sustainable society” as stated in the Corporate Philosophy, and established “Furukawa Electric Group Basic Sustainability Policy” as basic principles for achieving the Group’s sustainable growth and increasing corporate value over the mid- to long-term, while looking ahead to the future of people and the earth. Furthermore, we established the Sustainability Committee for the purposes of consolidating discussions on sustainability throughout the Group and further increasing the quality and speed of implementing various measures.</p> <p>To realize “Furukawa Electric Group Vision 2030”, the Group strives to promote ESG management that aims to achieve the Group’s sustainable growth and increase in corporate value over the mid- to long-term. The Group defined significant management issues as “materiality” which the Group should address in order to achieve “Furukawa Electric Group Vision 2030”, and identified the materiality as follows from the perspective of both revenue opportunities and risks:</p> <ul style="list-style-type: none"> <li>• Materiality: revenue opportunities               <ol style="list-style-type: none"> <li>(1) Create businesses that solve social issues</li> <li>(2) Open, Agile, Innovative</li> <li>(3) Build partnerships with various stakeholders</li> </ol> </li> <li>• Materiality: risks               <ul style="list-style-type: none"> <li>E: Develop business activities that consider climate change</li> <li>S: Strengthen human capital management and organizational execution abilities</li> <li>G: Build a governance system to strengthen risk management</li> </ul> </li> </ul> <p>We will work on such materiality and achieve “Furukawa Electric Group Vision 2030”, thus contributing to achieving the SDGs.</p> <p>&lt; Developing business activities that consider climate change &gt;</p> <p>In order to “contribute to a sustainable future for the world through technological innovation that utilizes our strength in advanced materials,” the Group established “Furukawa Electric Group Basic Environmental Policy” consisting of basic philosophy and action guidelines. In addition, in order to contribute to realizing a “carbon-free society”, “recycling-based society for water &amp; resources” and “society in harmony with nature” toward 2050, we formulated “Furukawa Electric Group Environmental Vision 2050”. With</p> |

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|   | <p>respect to contribute to realizing a “carbon-free society”, aiming at reducing greenhouse gas emissions throughout the value chain, we set the challenge target for reducing the emissions from business activities of the Group to zero by 2050. Furthermore, we have recently revised “Environmental Targets 2030” which are the interim goals under the “Environmental Vision 2050”. Furthermore, in order to accelerate our initiatives for realizing carbon neutrality in 2050, we have recently revised “Environmental Targets 2030” which are the interim goals under the “Environmental Vision 2050”, and also applied for SBT1.5°C certification.</p> <p>Based on the perception that climate-related risks and opportunities are important management issues (materiality), we announced our support for the Task Force on Climate related Financial Disclosures (TCFD) and disclosed our responses to TCFD Recommendations in the Integrated Report.</p> <p>More information on the Group’s sustainability is available on the website of the Company (“Sustainability” section), Integrated Report, and Sustainability Book, etc.</p>  |
| <p>Development of Policies on Information Provision to Stakeholders</p> | <p>The Company established internal rules for timely disclosure of corporate information, and has in place a system for timely and appropriate information disclosure. Furthermore, “The Furukawa Electric Group CSR Code of Conduct” defines fundamental rules of behavior for officers/employees of the Group to follow in conducting corporate activities based on the Group philosophy and from the perspective of corporate social responsibility. The CSR Code of Conduct was revised in April 2019 to reflect recent changes in social conditions and corresponding changes in demand for corporations.</p>  |
| <p>Other</p>  | <p>■ Promoting Diversity &amp; Inclusion</p> <p>The Group regards diversity &amp; inclusion as a significant element of “strengthening human capital management (HCM) and organizational execution abilities”, which is one of important management issues (materiality) for achieving “Furukawa Electric Group Vision 2030”, and we established HK/D&amp;I Committee (HK stands for Hatarakikata Kaikaku, meaning workstyle reform), which reports directly to President, and have been proactively making company-wide efforts. The Company’s officers (including Corporate Vice Presidents) include one female Director, one female Audit &amp; Supervisory Board Member, and two female Corporate Vice Presidents (including Senior Fellow), and two foreign Corporate Vice Presidents.</p> <p>(1) Women’s participation and advancement in the workplace</p> <p>Considering that it is important to ensure diversity especially at the decision maker level as a foundation for corporate growth, we set target “ratio of female managers (non-consolidated)” as a sustainability indicator under the Medium-term Management Plan “Road to Vision 2030: Transformation and Challenges”, and have been working on that. We consider the biggest challenge is the fact that the absolute number of female employees is small, and, therefore, have been making steady efforts to maintain/strengthen the pipeline on all fronts from recruitment to development/appointment of core human resources. In parallel, in order to ensure that women and their supervisors can have a positive view of women’s career advancement, we have been improving the company-wide organizational climate/environment through such measures as the leadership reform for supervisors, strengthened feedback, introduction of flexible workstyles, and support for autonomous career development.</p> <p>Recognized for these initiatives, the Company was selected as a “L-boshi (3 stars)” – acknowledgement as an excellent company under the Act on Promotion of Women's Participation and Advancement in the Workplace, and</p> |



also as a “2022 Nadeshiko Stock” – acknowledgement as a listed company that promotes women’s career advancement in line with its management strategy (for the third time, following 2017 and 2019).

(2)Workstyle reform

We have been taking various measures for both “Workstyle Reform” for the purpose of increasing the productivity and job satisfaction and “Organization Climate Reform” for the purpose of facilitating the embodiment of the Group’s Core Value.

As measures for supporting challenges and growth of individuals and enabling them to exercise their abilities more than ever, we have introduced/enhanced programs to help balancing work and various life events including pregnancy, childbirth, child-rearing and caregiving; various leave programs; flexible work arrangements; and telework arrangements, in order to improve our employees’ work-life balance.

Since 2007, as a Kurumin-certified business owner who proactively supports balancing work and child-rearing, we have been proactively enhancing our child-rearing support.

(3)Promoting employment of people with disabilities

From the perspective of diversity & inclusion where the Company does not only fulfill its social responsibilities, but also pursue possibilities of diverse human resources and organizations as a foundation for corporate growth, we have been taking proactive initiatives, aiming at enhancing the work environment for people with disabilities. In addition to employment activities through Group companies and Furukawa New Leaf Co., Ltd., a special subsidiary, we will create a better work environment by advancing the improvement of workplace conditions and workstyle reform, including remote work arrangements and barrier-free environment.

■Promoting occupational health and safety management

The Group recognizes “maintaining good physical and mental health” of employees as an important management issue, and established “Furukawa Electric Group Health Management Declaration” in 2017. By promoting “health and productivity management” where we strategically work on managing/maintaining employees’ health and productivity from a business-management perspective, we aim at improving well-being of every employee.

Specific initiatives are as follows:

- Formulated “5-year industrial safety and health plan” towards 2025  
⇒Promoting health activities consisting of 5 pillars, including the improvement of employees’ health literacy and physical functions, etc.
- Internally use such greeting messages as “Goanzen ni!” (wishing you safety), which has a close affinity with manufacturers, as well as “Gokennko ni! (wishing you health)”  
⇒Mutually raising employees’ awareness of health
- Formulated “5-year plan to address smoking” in 2015  
⇒ Realized totally non-smoking premises throughout the Company in 2020

As such initiatives are highly regarded, the Company was recognized as a “Certified Health & Productivity Management Outstanding Organization” for 7 years in a row from 2017, and as a “White 500” enterprise - top 500 in the large enterprise category of the same certification program – for the fifth time. Furthermore, the Company was also selected as a “2023 Health & Productivity Stock” (for the second time after being selected in 2019).

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|  | Detailed information on the Group's initiatives concerning human capital is disclosed on the Company's website. |
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## IV. Matters Related to the Internal Control System

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

The Company believes that internal control is intended for maintaining/improving the efficiency of execution of duties, ensuring compliance, risk management, information management and group company management, and established and implements the internal control system as follows:

#### (1) Efficient execution of duties

After management targets are set in budgets, each executive officer fulfills his/her duties to achieve such targets, and regularly reports the progress to the Board of Directors. Such achievements are adequately reflected in his/her remuneration. As for matters to be decided by the Board of Directors or the Management Committee, or by means of requests for management approval, the Company established detailed and specific standards for deliberations. The Company has in place internal rules to clarify administrative authorities of executive officers and General Managers, as well as division of duties; and also has a mechanism to constantly review them upon an organizational change and the like.

#### (2) Compliance system

The Company regards “Furukawa Electric Group Corporate Philosophy” and “The Furukawa Electric Group CSR Code of Conduct” as the basis for complying with ethical standards as well as laws and regulations; and according to the “Compliance Regulations”, the Company promotes such compliance activities as internal education and programs to prevent/detect legal violations, while Risk Management Committee chaired by President and Risk Management Division play central roles. Each division appoints a risk management officer, who is responsible for effectively promoting risk management activities, including compliance, within the division. Especially, to prevent a recurrence of cartel behavior, the Company has reinforced the control over contacts with other companies in the same industry and the pricing procedures, and strengthened oversight, regularly receiving advice from external experts. The Company also introduced a whistleblowing system, aiming at early detection and correction of compliance violations. Furthermore, Auditing Department, which is responsible for internal audits, monitors the execution of duties in each division, verifies whether the internal control system, including the compliance system, is working effectively, and reports the results to the management. The Company has such a compliance system in place.

#### (3) Risk management system

The Company stipulated its risk management system and management method in the “Basic Regulations on Risk Management and Internal Control”, and the Risk Management Committee identifies overall risks associated with business operations of the Group, and verifies the adequacy of such risk assessment and risk management methods. The Committee focuses mainly on addressing major risks associated with compliance at affiliated companies and internal divisions, large-scale disasters, information security, and infectious diseases, etc., while putting emphasis on managing significant risks in such areas as disaster prevention & business continuity management, quality management, health & safety, and safe environment by establishing special committees. In addition to the above-mentioned framework, when an important decision is to be made by the Board of Directors or the Management Committee, or by means of requests for management approval, expected risks associated with the subject in question are clarified in the reference material, and the decision is made only upon recognizing such risks.

#### (4) Information management system

Records and documents related to important decisions by the Board of Directors, the Management Committee, or via requests for management approval are properly managed/retained in accordance with laws and regulations as well as the Company’s “Regulations on Retention of Documents”. As for other information on the execution of duties, from the perspective of the importance as information assets and the necessity for protection, the Company established uniform standards and has implemented an information management system.

#### (5) Group company management

In accordance with the “Regulations on Group Management Control”, an administrative manager is appointed at each Group company; and the Company requests the Group companies to regularly report information necessary for grasping their business conditions, provides guidance on business management, and requires them to obtain the Company’s approval before making decisions on certain matters. Budgets are

prepared for the entire Group, setting specific management targets to be achieved by subsidiaries. As for the risk management at subsidiaries, Risk Management Division plays a central role to provide training, advice, and guidance on risk management, internal control, and compliance. Subsidiaries are required to appoint their own compliance officers. The Company sends part-time officers to key Group companies, and monitors overall management, including compliance and risk management, of the Group companies through audits by the Company's Audit & Supervisory Board Members and Auditing Department.

(6) Securing appropriateness of financial reporting

In accordance with the "Basic Regulations on Risk Management and Internal Control", the Company established "Furukawa Electric Group Basic Policy for the development and evaluation of an internal control system, to ensure the appropriateness of financial reporting" (J-SOX Core Policy), and clarified the establishment, development, and operation of the internal control system, monitoring mechanism, and responsibilities. As for preparation and submission of the Internal Control Reports stipulated in the Financial Instruments and Exchange Act, the Company established J-SOX Council for deliberations of important matters, aiming at maintaining and improving the reliability of the Group's financial reporting.

## 2. Basic Views on Eliminating Anti-Social Forces

(1) Basic views

As described in "The Furukawa Electric Group CSR Code of Conduct", the Company's basic views are as follows: "Adopt a resolute approach to and cut off all relations with antisocial individuals or groups."

(2) Establishment of relevant structure

As mentioned above, the Company described its basic approach in "The Furukawa Electric Group CSR Code of Conduct" and ensures that all officers and employees follow the approach. The Company designated Administration Department, Risk Management Division as the department in charge, and appointed an officer in charge of preventing unreasonable demands, who completed the training course sponsored by the Tokyo Metropolitan Public Safety Commission. Moreover, the Company is a member of the Federation on Prevention of Special Organized Crimes (TOKUBOREN) under the Tokyo Metropolitan Police Department, and collects information through TOKUBOREN bulletins and TOKUBOREN news. In addition, the officer in charge of preventing unreasonable demand participates in TOKUBOREN's national workshop, and regional workshop and regular meetings in order to collect the latest information and closely collaborate with TOKUBOREN and neighboring companies.

## V. Other

### 1. Adoption of Anti-Takeover Measures

|                                    |             |
|------------------------------------|-------------|
| Adoption of Anti-Takeover Measures | Not Adopted |
| Supplementary Explanation          |             |
| N/A                                |             |

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

(1) Other matters concerning corporate governance system

The Group defined compliance as “not only observing laws and regulations, but also as acting in accordance with the values and ethics required of the company and its employees as responsible members of the society” and has been engaged in compliance activities. Specifically, the Company established Risk Management Division as well as Risk Management Department under the Division, thus developing a system for enhancing the monitoring of overall corporate activities from CSR perspectives including compliance, risk management, and social contribution, and promoting related activities; and for appropriately and promptly taking necessary actions in case of unexpected problems, including fact-finding, formulation of measures to prevent recurrence, and external announcement. With respect to quality management which is the starting point of manufacturing, the Group established Furukawa Electric Group Quality Management Committee chaired by President, promoting quality management activities. Similarly, Furukawa Electric Group Occupational Health & Safety Committee chaired by President has been conducting activities related to labor, health and safety.

In the past, the Group was inspected by the regulatory authorities for cartel behaviors related to optical fiber cables and automotive products, and then received orders to pay financial penalty, etc. In response, the Group has strived to eradicate any behaviors that violate the Anti-Monopoly Act and the Competition Act by accepting opinions of external experts since 2008. The Group is determined to continue activities for preventing the recurrence by ensuring strict compliance with internal rules regarding contacts with other companies in the same industry and pricing, and also to improve education programs for officers and employees of the Group companies in Japan and abroad corresponding not only to the Anti-Monopoly Act and the Competition Act, but also increasingly stricter laws and regulations in other legal domains in relevant countries/regions, as well as to strengthen the monitoring by the internal audit department. By conducting such activities across the Group this way, the Group strives to ensure compliance and restore the public confidence.

(2) Overview of timely disclosure system

(i) Basic policy and view on timely disclosure of corporate information

The Company complies with timely disclosure rules stipulated by the Tokyo Stock Exchange (TSE), and has made timely disclosure in accordance with such rules. Even if it does not fall under any category specified in TSE’s timely disclosure rules, the Company makes timely disclosure of information, which is useful for shareholders, investors, and other stakeholders, and has a significant impact on investment decisions, promptly on the Company’s website.

(ii) Internal system for timely disclosure of corporate information etc.

The Company established the “Regulations on the Timely Disclosure of Corporate Information” in order to have in place a framework for disclosing corporate information of the Company and its subsidiaries to investors in a timely and appropriate manner, and has made timely disclosure of corporate information according to the Regulations as follows:

- General Manager of Finance & Accounting Division is responsible for disclosure, and General Manager of Investor Relations Department (IR Dept.) under the above-mentioned Division is in charge of administrative tasks.
- As for information which may fall under disclosure items under the rules on timely disclosure stipulated by a financial instruments exchange, General Manager of division in charge of the matter immediately reports the matter to General Manager of IR Dept. In case of information of subsidiaries, a representative of the subsidiary in question immediately reports the matter to General Manager of the Company’s division

[Translation for Reference Purpose Only]

in charge of the subsidiary, and the said General Manager immediately reports the matter to General Manager of IR Dept.

- In response to the above-mentioned report, General Manager of IR Dept. checks the information against rules on timely disclosure, and judges whether or not disclosure is required, upon consultation with General Manager of Legal Department, Risk Management Division as necessary. If it is deemed that disclosure is required, upon obtaining approvals from General Manager of the relevant Division and President, the information is disclosed in accordance with the rules on timely disclosure.

[Translation for Reference Purpose Only]

<Schematic Diagram of Corporate Governance System>

