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Corporate Governance Report

Corporate Governance

Last Update: December 23, 2024
Macnica Holdings, Inc.
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I. Basic Views on Corporate Governance, Capital Structure, Corporate Data and Other Basic Information

1. Basic Views on Corporate Governance

Macnica Holdings, Inc. (the "Company") is responsible for entire Macnica Group's (the "Group") corporate governance, basic management policies, and strategies based on these policies, which are then executed by the Group's operating companies. The Group's basic policy is to ensure transparency and fairness in the supervision of management and to carry out prompt and decisive decision-making and execution of operations to meet the trust of customers, shareholders, employees and other stakeholders and to achieve sustainable growth and increase corporate value.

With the approval of the 9th Annual General Meeting of Shareholders held on June 26, 2024, the Company transitioned from a Company with an Audit and Supervisory Board to a Company with an Audit and Supervisory Committee. This is intended to further accelerate decision-making and business execution by delegating important management decisions from the Board of Directors to the Directors, while the Board of Directors will strengthen its supervisory function by, for example, focusing more on discussions and policy decisions on key management challenges such as strategy, human resources and risks, and monitoring execution by management. The aim is to enhance the competitiveness and corporate value of the Company through the twin pillars of supervision and execution.

Reason for Not Implementing Principles of Corporate Governance Code

The Company has implemented all sections of the Code.

Disclosure Based on Principles of Corporate Governance Code

[Principle 1-4] Strategic Shareholdings

The Group holds shares in its operating subsidiaries for the purpose of capital and business alliances, participation in and creation of new business fields, as well as to maintain and strengthen relationships with business partners, and in principle does not hold investment shares for pure investment purposes. Strategic shareholdings within the Group are held by Macnica, Inc. and Glosel Co., Ltd. At Macnica, Inc., all shareholdings and sales are decided by the Management Committee or the Board of Directors after deliberation and consideration by the Business Development Committee, and the need for continued shareholdings is verified each year after comprehensively considering the costs and risks associated with each individual security and the economic rationale over the medium- to long-term. At Glosel Co., Ltd., the Board of Directors annually examines the appropriateness of holding individual strategic shareholdings after carefully examining the medium- to long-term economic rationale, prospects, propriety of holding, and benefits and risks

associated with the shareholding.

For the fiscal year ended March 31, 2024, the strategic shareholdings of listed shares amounted to 11 issues with a book value of 2,241 million yen, or approximately 0.9% of net assets. Macnica, Inc. and Glosel Co., Ltd. will exercise voting rights on agenda items at the General Shareholders' Meeting for each company held, considering the management situation of each company and a comprehensive assessment as to whether the proposals contribute to improving the value of the companies held and the degree of impact on the Company.

[Principle 1-7] Related Parties Transactions

In the event of transactions with related parties, the transactions are subject to approval by the Board of Directors after excluding the related directors, in accordance with the provisions of the Companies Act and the Board of Directors Regulations, and the rationality of the transaction and the appropriateness of the terms and conditions of the transaction are carefully discussed during such deliberations.

[Supplementary Principle 2-4-1] Disclosure of the Company's Approach to Securing Diversity in Core Human Resources: Appointing Women, Foreign Nationals and Mid-Career Hires to Management Positions

1. Approach to Ensuring Diversity (Basic Policy on the Promotion of Diversity)

Based on the idea that people are assets (human resources), the Group positions human resources as "the driving force for realizing its Vision, increasing competitiveness and continuing sustainable growth, and as important capital for value creation" and continues to invest in maximizing the value of human resources. Our approach to human resource development is "Diversity, Equity & Inclusion (DEI), or securing and utilizing diverse human resources," and we have established a human resource development policy to enable diverse human resources to play an active role and to maximize the value of human resources.

(1) Purpose of DEI Promotion: to increase corporate competitiveness and maximize economic value and social value

- To create innovation and develop existing human resources by embracing diverse experiences.
- Evolving corporate culture by embracing different cultures.
- Solving challenges such as serious future labor shortages (domestic).

(2) Utilization of Human Resources:

- The Company's policy since its foundation has been to appoint human resources based on the principles of "fairness", "meritocracy", "employee selection" and "empowerment".
- A culture that appoints people of ability regardless of gender, nationality, race, religion, age, disability or sexual orientation.

(3) Policy:

- Continue to improve the workplace environment (hardware and software) to accommodate diversity.
- Building an environment in which employees of all backgrounds can think, choose and decide independently and autonomously, and maximize their individual abilities.

2. Status of Ensuring Diversity

The calculation for Managers has been changed to one based on the provisions of the Act on Promotion of Women's

Active Engagement in Professional Life (Act No. 64 of 2015).

The status of female, foreign nationals and mid-career hires as of March 2024 is as follows:

- Total employees: 2,661 (including 760 female employees, 55 foreign nationals and 1,736 mid-career hires).
- Management: 580 (including 36 female managers, 1 foreign national, 344 mid-career hires).

The status of female, foreign nationals and mid-career hires as of March 2023 is as follows:

- Total employees: 2,454 (including 712 female employees, 38 foreign nationals and 1,574 mid-career hires).
- Management: 553 (including 29 female managers, 1 foreign national, 329 mid-career hires).

* These figures are for the main operating subsidiary, Macnica, Inc.

Changes in the number of women, foreigners and mid-career hires in the last five years are shown for reference on the last page of this report.

Appointment of Women to Management Positions:

- In March 2024, women accounted for 28.6% of the Group and 6.2% in Management Positions.
- In March 2023, the proportion of women was 29.0% of the Group and 5.2% in Management Positions.

Appointment of Foreign Nationals to Management Positions -

- In March 2024, 55 foreign nationals were employed in domestic Group companies, of whom one holds a management-level position (0.2% of the total). Overseas subsidiaries entrust management to local personnel who are familiar with the local situation, keeping the number of staff seconded from Japan to a minimum.

Appointment of Mid-Career Hires to Management Positions -

- Traditionally, mid-career hires have been primarily composed of so-called second-time graduates. As of now, 59.3% of Management Positions are filled by mid-career hires.

* These figures are for the main operating subsidiary, Macnica, Inc.

3. Voluntary Targets for Diversity

- Women's Empowerment

  In FY2024, the Group aims to increase the number of female managers among its domestic full-time employees to 50 from 26 in FY2021, and to raise the proportion of women in Management Positions to the range of 7-8% (36, or 6.2%, at the end of March 2024) from approximately 5% in FY2021. In FY2030, the Group aims to increase the number of female managers among domestic full-time employees to the range of 90-100 and the proportion of women in Management Positions to the range of 9-10%.

To achieve these goals, we plan to increase the number of managerial career track employees who are candidates for Management Positions, identify outstanding human resources, and promote their early participation in management training and their appointment to selective positions.

- The Advancement of Foreign Nationals

  Regarding the advancement of foreign nationals, the Group aims to appoint them mainly to professional and technical positions, and therefore its targets include those in Management-Level Positions.

  The Group has been continuously recruiting human resources with the necessary skills, regardless of nationality, and currently employs 55 people in Japan, one of whom is in a Management Position (9 if those in Management-Level

Positions are included).

In future, the Company aims to acquire competent human resources, particularly in professional and technical positions, with the aim of appointing 10-15 foreign nationals to Management Positions in 2024 and 30 in 2030.

In addition, the Group will maintain its stance of transferring the minimum number of personnel, especially at the management level, from Japan to overseas locations. Instead, each country will be managed by local human resources, with the goal of having all major overseas operating companies effectively managed by local personnel. The Group is committed to and will continue to appoint the most suitable individuals for business expansion, regardless of nationality.

- The Advancement of Mid-Career Hires
  The Group has established a culture of appointing competent individuals regardless of their career stage—be they mid-career hires, new graduates, or long-term employees. In recent years, the ratio of mid-career hires in management positions has consistently remained around 60%. Additionally, the Company has maintained a recruitment policy of hiring new graduates and mid-career professionals at a 50/50 ratio and plans to continue this approach to ensure the balance does not change significantly.

Moving forward, the Company will also focus on securing management personnel, specialist human resources to promote new businesses, and individuals to strengthen DEI, including women and foreign nationals.

4. Initiatives to Promote DEI: Policies for Human Resource Development and Internal Environment Improvement

Under the Basic Policy on the Promotion of Diversity, we will promote initiatives to enable all types of employees, including women, foreign nationals, mid-career employees, as well as the elderly, LGBT, sexual minorities, the physically challenged and others.

Specifically, we will:

- provide a system and work environment that responds to diversity and enables employees to maximize their individual abilities;
- enhance the content of diversity management training for Management Positions and continuously raise their awareness;
- strengthen the recruitment of human resources and increase the number of management career track employees who are candidates for Management Positions; and
- identify excellent human resources and promote their participation in management training and appointment at an early stage. By fostering an “open” and “fair” corporate culture, where opinions that are good are expressed without hesitation and listeners actively engage, we aim to gather input from all employees, including women and foreign nationals, and continuously improve our initiatives.

[Principle 2-6] Asset Owners

The Group manages planning in the operating companies with the aim of securing the required overall returns over the long term, taking account of the risks involved, to ensure that pension benefits are provided to beneficiaries in the future. The Pension Management Committee, comprising officers and employees from finance, accounting and human resources,

has been established as an organizational form to examine and advise on the operation and management of the retirement benefit scheme. The committee monitors the outsourced fund managers to ensure that the investment targets are fully achieved, that the composition of assets is reviewed as necessary, and that conflicts of interest are properly managed. In addition, the Group's outsourced fund managers have accepted the Japan's Stewardship Code. The Group monitors stewardship activities through constructive dialogue with its outsourced fund managers to ascertain whether there has been any change in their stance. The Group is committed to human resource development through participation in various training programs to ensure that corporate pension funds can fulfil the functions expected of asset owners.

[Principle 3-1] Enhancement of Information Disclosure

For more information on the Group's disclosure, please refer to the Integrated Report.

https://holdings.macnica.co.jp/content/dam/holdings/en/investors/library/library/2024_pdf/Integrated%20Report%20LIMITLESS%202024%20(for%20viewing).pdf

1. The Company is responsible for the Group's overall Corporate Governance, basic management policies and the formulation of strategies based on these policies, which are executed by the Group's operating companies. The Group is committed to responding to the trust placed in it by customers, shareholders, employees and other stakeholders, to achieving sustainable growth and increasing corporate value, while responding appropriately to social issues. To this end, the Company is responsible for swift and decisive decision-making while ensuring transparency and fairness through management supervision, while the operating companies focus on business execution. This basic approach is outlined in the publicly available Code of Conduct.

2. For directors' remuneration, see II.1, “Incentive System” and “Remuneration for Directors”, below.

3. The appointments and dismissals of the management team are as follows. Regarding candidates for Directors, the Company's policy is to select Directors who have the knowledge and experience that will enable them to enhance corporate value. The Nominating and Compensation Advisory Committee, which comprises a majority of outside directors, confirms and examines the selection details, etc., before the Board of Directors deliberates and decides on the candidates. As for candidates for outside directors, from the perspective of strengthening the supervision function of the Board of Directors, the Company appoints persons who have insight and a high level of expertise that cannot be obtained from internal directors alone.

The Representative Director and President is decided after deliberation by the Board of Directors, based on the report of the Nominating and Compensation Advisory Committee. Executive Officers, such as Company Presidents of business divisions and General Managers in charge of various functions, who have the knowledge, ability, and experience to play a leading role in business execution, are selected by the Board of Directors after deliberations. The Board of Directors of Directors makes a comprehensive decision on the dismissal of directors based on the advice of the Nominating and Compensation Advisory Committee, in the event of (i) fraud or other offences against public order and morals, (ii) violation of laws, articles of incorporation or other regulations, or (iii) significant damage to corporate value due to negligence or other reasons that make it difficult for the directors to carry out their duties.

The Company's policy for the selection of candidates for Directors who are the Audit and Supervisory Committee Members is that they have the necessary ability and insight to serve as members of the Audit and Supervisory Committee. After confirming and reviewing the details of the selection by the Nominating and Compensation Advisory Committee, the Board of Directors deliberates and decides on the selection with the consent of the Audit and Supervisory Committee. Regarding candidates for Outside Directors who are the Audit and Supervisory Committee Members, the Company appoints people who have a high degree of expertise in finance, accounting, legal affairs, etc. and who can conduct appropriate audits from the perspective of strengthening the effectiveness of the process.

4. The reasons for the appointment of the current Directors and Corporate Auditors are set out in the Proposals of the Notice of the 9th Annual General Meeting of Shareholders.
https://ssl4.eir-parts.net/doc/3132/ir_material2/230441/00.pdf
https://ssl4.eir-parts.net/doc/3132/announcement3/100448/00.pdf

[Supplementary Principle 3-1-3] Sustainability Initiatives

1. Sustainability Initiatives

The Group has recognized that addressing sustainability issues is an important management challenge. To this end, the Sustainability Promotion Committee, chaired by Representative Director and President, was established in FY2021 to formulate the Policy on Sustainability and identify material issues (materiality).
https://ssl4.eir-parts.net/doc/3132/tdnet/2113978/00.pdf [Japanese Only]

The Sustainability Promotion Committee formulates various measures, monitors their progress, and reports to the Board of Directors.
The Sustainability Promotion System is included as a reference document on the last page of this report.

2. Investments in Human Capital and Intellectual Property

The Group has traditionally considered human resources to be the core competence of its business and has addressed this as a key management challenge.

Human Resources Development Policy

- Support individual career design and provide educational opportunities to enhance career ownership.
- Promote individual advancement and accelerate growth by trusting and entrusting everyone.
- Implement employee selection based on meritocracy, irrespective of age or experience.

Specific Measures

- Encouragement of an environment in which employees can play an active role regardless of gender, nationality, race, religion, age, disability, sexual orientation, status or position.
    - Continuous awareness-raising among employees using E-Learning and other means, and management taking the initiative.
- Promoting Health and Productivity Management and Well-Being Management.
    - Enhancement of health promotion measures in cooperation with health insurance program.
    - Strengthen labor management and overtime measures

- Promotion of work style reforms
  - Continued operation of a working style in which each organization and team proactively and autonomously decides how and where productivity can be best increased.
- Improvement of employee engagement
  - Management Plan Presentation (once a year, when all Group employees in Japan and overseas gather to share policies and strategies and present awards).
  - Establishment of “action themes” (slogans for employees to be aware of during the year, and to align them with one another).
  - Implementation of the "Building a Strong Organization Questionnaire" (all departments set issues and measures based on the results of an employee survey, and have been working for more than 10 years to improve the organization).
- Improvement of the human resources system and remuneration system
  - Review the system to make it easier for diverse human resources to work.
  - Review the level of remuneration for safe and secure work

We have made a declaration on Health and Productivity Management. Please refer to the following URL for the Health and Productivity Management declaration.
https://holdings.macnica.co.jp/en/sustainability/human/wellbeing/

3. Disclosure Based on the TCFD Framework

The Group has been tackling this issue under an environmental policy based on ISO 14001, but in 2022, the Group recognized the need to accelerate its response to this environmental issue with a more specific vision and effective policy, and has therefore formulated a new Environmental Vision and Environmental Policy. For more information on the Environmental Vision and Environmental Policy, please refer to the following URL.
https://holdings.macnica.co.jp/en/sustainability/environment/management/

The Company also participates in the TCFD consortium and is working on climate change-related disclosure of its response status. For more information, please refer to the following URL
https://ssl4.eir-parts.net/doc/3132/ir_material6/238350/00.pdf
Based on the results of the third-party verification, revisions have been made to the FY2023 emissions data published in the ‘Notice of Updated Disclosure Based on TCFD Recommendations’ issued on June 25, 2024, and the Annual Securities Report issued on June 26, 2024.

[Supplementary Principle 4-1-1] Criteria for Submission to the Board of Directors

The Board of Directors adopts a monitoring model and, in accordance with the Board of Directors Regulations and other relevant regulations, carries out decision-making on basic management policies such as the Company's Purpose, Vision, Values and Medium- to Long-Term management strategy and plans, and focuses discussions on key management challenges for the Group, such as strategy, human resources and risks. The Board of Directors also supervises the business execution by the management team. In addition, following the transition to a Company with an Audit and Supervisory Committee, decisions on important business execution of the Group are delegated from the Board of Directors to the Directors. The Company's Group Management Committee, chaired by the Representative Director and President and comprising Business Executive Directors and Executive Officers, discusses and decides on matters relating to execution of

business operations in the Group. It collates and analyzes information on issues relating to the progress of the Group's key policies for each fiscal year and issues raised by the business divisions, the Group companies and corporate divisions, and carries out decision-making. Details of these business executions by the management team are reported to the Board of Directors regularly, including quarterly and every half-year.

[Supplementary Principle 4-1-3] Succession Planning

The Nominating and Compensation Advisory Committee, a voluntary committee, has been established to report to the Board of Directors on succession planning. This committee checks and discusses succession plans and programs and reports to the Board of Directors. At the same time, the status of implementation of succession and human resource development plans is reported to the Board of Directors as appropriate.

[Principle 4-9] Criteria and Qualifications for Determining the Independence of Independent Outside Directors

To ensure transparency and objectivity in governance, the Company has established its own criteria for determining the independence of Outside Directors in addition to the independence criteria stipulated by the Tokyo Stock Exchange:

The Board of Directors considers an outside director to be sufficiently independent of the Company if, in addition to the criteria for independence set out by Tokyo Stock Exchange, Inc. the director is deemed to meet the requirements set out below (the Company includes Group companies).

1. The person does not currently or in the past year fall into any of the following categories:

(1) Business Execution Officer[2] of a major shareholder[1] of Macnica Holdings

(2) Business Executive Officer of a major business partner of Macnica Holdings[3] or Business Executive Officer of a company which is a major business partner of Macnica Holdings

(3) Business Executive Officer of our suppliers (including overseas headquarters and local subsidiaries) with which we have concluded distributor agreements, etc.

(4) Business Executives Officer of Macnica Holdings' major borrowers[4].

(5) Business Executives Officer of the audit corporation that conducts the statutory audit of Macnica Holdings or those in charge of the auditing operation of Macnica Holdings.

(6) Consultants, accounting experts or legal experts (or Executive Officer of a legal entity or association, etc.) who receive a large amount[5] of monetary remuneration from Macnica Holdings other than executive remuneration.

(7) Directors (limited to Executive Officer) of organizations (e.g. Public Interest Incorporated Foundation, Public Interest Incorporated Association, Non-executive Organization, etc.) that have received donations or grants of more than 10 million yen from Macnica Holdings or its subsidiaries. Other Executive Officers.

2. The person's close relatives[6] do not currently or in the past year fall into any of the following categories 1 to 7.

3. The person must not be an Executive Officer, Corporate Auditor or Accounting Advisor of a company or its parent or subsidiary that accepts Directors (whether full-time or part-time) from Macnica Holdings or its subsidiaries.

4. Any person falling under any of the categories 1 to 7 above may be appointed as an outside officer of Macnica Holdings

if Macnica Holdings considers that the person is suitable as an outside officer of Macnica Holdings, on condition that the reason the person is suitable is explained to the public.

5. The person is not likely to have a conflict of interest with Macnica Holdings' general shareholders on a permanent basis for reasons other than those considered in 1 to 7 above.

Notes

1- Major shareholders directly or indirectly hold more than 10% of the total voting rights at the end of the fiscal year.

2- Executive Officers refers to important employees including Business Executive Directors, Executives or Executive Officers (Corporate Auditors and Accounting Advisors are not considered Executive Officers).

3- Major business partners refer to business partners of Macnica Holdings whose annual sales exceed 2% of consolidated net sales of Macnica Holdings or the other party.

4- Major borrowers are defined as the top three borrowers of Macnica Holdings in terms of outstanding loans in the most recent fiscal year.

5- A large amount refers to consideration received from Macnica Holdings in excess of 10 million yen per year.

6- Close relatives refer to the spouse or relatives within the second degree of kinship of the person or relatives living with the person.

[Supplementary Principle 4-10-1] Our Approach to the Independence of Any Nominating and Compensation Committee, its Authority and Role

1. Our Approach to Independence

The Company's Nominating and Compensation Advisory Committee consists of five independent outside directors and one internal director (non-executive). The majority of the members are independent outside directors, and no executive director is included as a member of the committee, ensuring its independence and objectivity.

2. Authority and Role

The Nominating and Compensation Advisory Committee has been established as a body to report on matters of advice from the Board of Directors. The matters for which it is consulted include, in the case of nomination, the appointment of Representative Director and President and confirmation and consideration of the selection of candidates for director and Audit and Supervisory Committee Member, and, in the case of remuneration, policies relating to decisions on the content of director and executive officer remuneration, KPIs for performance-based remuneration and individual remuneration. The Board of Directors makes decisions after respecting the reports of the Nominating and Compensation Advisory Committee.

[Supplementary Principle 4-11-1] Policies and Procedures for the Appointment of Directors and Our Approach to Diversity

1. The Company, due to the size of its business, has set the number of directors at 15 or less, including Directors who are the Audit and Supervisory Committee Members at 5 or less. In deciding on candidates for internal directors, the Company selects persons with different areas of expertise and experience, mainly those responsible as Executive Officers,

who have a deep understanding of the business environment and management challenges surrounding the Company.

Outside Directors are selected from backgrounds different from those of the Company, whose experience and knowledge are deemed to contribute to the supervision of management from an objective and neutral standpoint. The selection policy for candidates for Directors who are the Audit and Supervisory Committee Members is that they have the necessary competence and insight as members of the Audit and Supervisory Committee, and after confirming and reviewing the details of the selection by the Nominating and Compensation Advisory Committee, the Board of Directors deliberates and decides on the candidates after obtaining the consent of the Audit and Supervisory Committee. In particular, with regard to candidates for Outside Directors who are Audit and Supervisory Committee Members, the Company appoints people with a high degree of expertise in finance, accounting, legal affairs, etc. and who can conduct appropriate audits from the perspective of strengthening the effectiveness of the system. As a result, the Board of Directors has a system that enables comprehensive supervision of management.

2. Currently, three female directors (outside directors) and no foreign directors participate in the Board of Directors of the Company, although one director is a former Chinese national and another director has lived for an extended time, receiving an overseas education. We believe that diversity in terms of gender and nationality is necessary to expand our corporate value, and we will continue to be conscious of diversity.

3. In managing the Group, the experience and expertise of the Company's directors is compiled in a skill matrix.
The purpose is to serve as a guide for fulfilling the skills (knowledge, experience, skills, etc.) required to fulfil the functions of the Board of Directors required to realize the management strategy.

Specifically, the skills required to solve the following management challenges are considered:
(1) Deepening of Core Businesses (Deepening)
Expanding global business, improving productivity and capital efficiency in the Semiconductor Business, strengthening the Network and Security Business and expanding its domain.
(2) Strengthening the Services & Solutions Business
Developing service models for existing and new businesses, integrating core businesses with new businesses, strengthening DX co-creation activities through companion consulting, exploring the next core technologies and creating new business models.
(3) Strengthening the Management Base and Increasing Corporate Value
Promoting ESG (including SDGs) management, strengthening corporate divisions and related functions, establishing new HR and organizational structures, establishing branding strategy.

As a result, the following 14 main items have been identified.
Corporate Management, Corporate Governance, Long-term Strategies, Risk Management, Human Resources & Corporate Culture, Capital Markets & Finance, Global Business Management, Innovation, Business Investment & M&A, Industry Knowledge, DX & Technology, Branding, Compliance & Legal Affairs, Sustainability

In terms of the skills matrix, the Board of Directors currently considers that the skills for management challenges are generally fulfilled. The Company will continue to identify the skills needed to realize its management strategy in a timely

manner, and the Company will also use this information in its director appointment policy and succession planning to fulfil its function as the Board of Directors. The skill matrix is shown on the last page of this report.

[Supplementary Principle 4-11-2] Directors' Concurrent Positions at Other Listed Companies

When directors serve concurrently as directors of other listed companies, the Company ensures that the number of such concurrent positions is within a reasonable range so as not to interfere with the conduct of the Company's business. Currently, the concurrent positions do not affect the work of the Company's directors and they attend all meetings of the Board of Directors.

The status of the directors' important concurrent positions is stated in the Notice of the Annual General Meeting of Shareholders and in the annual securities report.

[Supplementary Principle 4-11-3] Evaluation of the Effectiveness of the Board of Directors

The Company has conducted self-evaluations in the form of questionnaires once a year in April, and for FY2023, a third-party evaluation by an external organization was conducted. The evaluation method and results are as follows.

1. Evaluation Method

The evaluation was carried out according to the following process and items.

1) The purpose of the effectiveness evaluation and the evaluation process were confirmed with the Chairperson and Representative Director and President before the third-party evaluation was conducted.

2) A questionnaire consisting of score ratings for individual questions and description-only questions was administered to each director and Corporate Auditor, and the results analyzed. The main items evaluated were (i) the composition and processes of the Board of Directors, (ii) the operation of the Board of Directors, (iii) communication and dynamics at Board meetings, and (iv) the culture of the Board of Directors.

3) Problem hypotheses are set based on analysis of the questionnaire results. Conduct third-party evaluation based on detailed verification of the hypotheses and in-depth exploration of the issues through interviews.

4) The results of the third-party evaluation are reported to the Chairperson and Representative Director and President by an external organization. After confirming the content, the organization reports the results of the evaluation at the Board of Directors meeting in May. Based on this, discussions are held at the Board of Directors meeting in June, prioritizing the content of the Board's initiatives for FY2024 and setting the direction of implementation.

2. Evaluation Results

The overall assessment is that the Company's Board of Directors shares common values and is consistent in its decision-making based on high ethical standards, that open and frank discussions are held, that the supervisory function is exercised by confirming the validity of the management's deliberations and execution status and by appropriately guiding the management team on the identified management challenges, and that the effectiveness of the supervisory function is generally demonstrated.

As for future issues, it was pointed out that, with regard to the operation of the Board of Directors, more time than before should be reserved for in-depth discussions on human resources, strategy and risks, which are important issues in order to enhance Medium- to Long-Term corporate value.

The Board of Directors agreed on the assessment that the transfer of authority to execution as a result of the change in the organizational design from a Company with an Audit and Supervisory Board to a Company with an Audit and Supervisory Committee has enabled us to narrow down the agenda and ensure more time for discussion of important issues, while ensuring highly effective discussion and decision-making by each director with a common understanding of the "ideal state of the Board of Directors" we are aiming is essential for providing excellent direction and supervision of management that will enhance corporate value over the medium- to long-term, and decided to prioritize this.

3. Operational Policy in FY2024

In FY2024, the focus is on strategy and human resources, which have been key themes for some time. The Company will also examine whether it is delivering against the objectives of its transition to the Audit and Supervisory Committee.

- **Strategy:** Review of past strategies and future direction towards a Services & Solutions Company.
- **Human Resources:** Clarification of the corporate philosophy of human resources, the cornerstone of the Company's global competitiveness and medium- to long-term corporate value, and a human resources strategy based on this philosophy.

To further enhance the effectiveness of discussions by the Board of Directors, (i) seminars by outside experts on specific management challenges will continue to be held, (ii) executive sessions (meetings consisting solely of outside directors) will be held at each Board of Directors meeting, and (iii) regular exchanges of views between executive officers and non-executive directors will be held, and its content enhanced.

[Supplementary Principle 4-14-2] Policy to Provide Necessary Training for Directors

The Company provides tours of its offices and other facilities, as well as information on its operations, to outside directors, particularly newly appointed ones, to help them acquire knowledge about the Company. Additionally, the Company holds seminars and other events as necessary for all directors, including outside directors, and encourages them to participate in external training courses.

Furthermore, the Board of Directors holds meetings with outside experts and information-sharing sessions with outside officers.

[Principle 5-1] Policy of Constructive Dialogue with Shareholders

1. The Management Planning Department is in charge of IR and is overseen by the Director in charge of the Management Planning Department.

2. In order to enhance dialogue, the Corporate Planning & Investor Relations Officer serves as a secretariat for the departments in charge of corporate strategy, planning, accounting & finance and legal affairs to closely exchange information and prepare the necessary materials.

3. The Company holds a financial results briefing every half-year, which is attended by the President to explain the Company's performance and answer questions, and was rated as “informative” by the investors in attendance.

Financial results briefing materials and video clips: https://holdings.macnica.co.jp/en/investors/library/earning/

Small group meetings are held in the first and third quarters. In addition, the IR team, led by the President and the Director in charge of Accounting & Finance, holds one-on-one meetings with institutional investors to obtain their understanding of the Company's management strategies, progress in the Medium-Term Management Plan, and the business environment. The main questions from investors include trends in the semiconductor market and the Group's performance, the impact of international economic friction, the expected growth potential of the cybersecurity market in the Network Business, and confirmation of the direction and progress of the new business model, the Services & Solutions model.

4. The Board of Directors provides feedback on opinions expressed at meetings with investors, etc., which are actively used to develop the Company's business over the medium- to long-term and to enhance its corporate value.

5. Insider information is properly managed, and not only the director in charge of IR and IR staff, but also officers (including the President) who engage in dialogue with investors are aware of the importance of information management and strive to facilitate dialogue with investors.

Measures to Achieve Cost of Capital and Share Price Conscious Management.
English disclosure available. (Last Update Date: September 30, 2024)
To realize our long-term management concept, the Company has set a specific medium-term management plans and long-term management targets. In particular, we set ROE for return on capital and working capital turnover ration for efficiency as our management targets. Details of the Company’s long-term management concept, medium-term management plan and long-term management targets are disclosed in various briefings, including the integrated report and financial results briefings, as well as on the Company website.

- Integrated Report: https://holdings.macnica.co.jp/en/investors/library/integratedreport/
- Financial Results Briefing Materials: https://holdings.macnica.co.jp/en/investors/library/earning/

Status of Dialogue with Shareholders
Regarding the status of dialogue with shareholders and investors, please refer to [Principle 5-1] ‘Policy of Constructive Dialogue with Shareholders’ above, III.2. ‘Investor Relations (IR) Activities’ below, and 3. Implementation of Initiatives Concerning Shareholders and Other Stakeholders, and the Company's website.

2. Capital Structure

Foreign Shareholding Ratio	20% or more but less than 30%

Major Shareholders

As of March 31, 2024

Name	Address	No. of shares (Thousands)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	1-8-1 Akasaka, Minato-ku, Tokyo	6,904	11.51
Kamiyama Foundation (General Incorporated Foundation)	1-4-2 Shin-Ishikawa, Aoba-ku, Yokohama, Kanagawa	6,000	10.00
Haruki Kamiyama	Aoba-ku, Yokohama, Kanagawa	3,500	5.83
Seeds Technology, Inc.	1-4-2 Shin-Ishikawa, Aoba-ku, Yokohama, Kanagawa	3,500	5.83
JP Morgan Chase Bank 380055 (Standing proxy: Mizuho Bank, Ltd.)	270 Park Avenue, New York, NY 10017, USA	2,773	4.62
The Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	2,654	4.42
Central Tanshi Co., Ltd.	3-3-14 Nihonbashi, Chuo-ku, Tokyo	1,179	1.97
Yuko Kamiyama	Aoba-ku, Yokohama, Kanagawa	1,000	1.67
SMBC Trust Bank Ltd. (Trust Account for retirement benefit of Sumitomo Mitsui Banking Corporation)	1-3-2 Marunouchi, Chiyoda-ku, Tokyo	709	1.18
JP Morgan Chase Bank 385781 (Standing proxy: Mizuho Bank, Ltd.)	25 Bank Street, Canary Wharf, London, E14 5JP UK	630	1.05

Has a controlling shareholder	———
Has a parent company	No

Supplementary Explanation for Applicable Items

- The number of shares held in the above trusts is as follows:
  The Master Trust Bank of Japan, Ltd. (Trust Account) 6,874,000 shares
  The Custody Bank of Japan, Ltd. (Trust Account) 2,649,000 shares

- Asset Management One Co., Ltd. and its joint holders submitted a change report on July 24, 2023 (date of reporting obligation: July 14, 2023) stating that they own the following shares, but the number of shares actually held as of March 31, 2024 cannot be confirmed. Therefore, they are not included in the above principal shareholder list.
  Asset Management One Co., Ltd. 2,368 shares
  Asset Management One International Ltd. 82 shares

- SMBC Trust Bank Ltd. and its joint holders submitted a change report on October 5, 2023 (date of reporting obligation: September 29, 2023) stating that they own the following shares, but the number of shares actually held as of March 31, 2024 cannot be confirmed. Therefore, they are not included in the principal shareholder list.
  Sumitomo Mitsui Trust Asset Management Co., Ltd. 1,640 shares
  Nikko Asset Management Co., Ltd. 1,831 shares

- Keiwa Sogo Law Office and its joint holders submitted a change report on February 5, 2024 (date of reporting obligation: February 1, 2024) stating that they own the following shares, but the number of shares actually held as of March 31, 2024 cannot be confirmed. Therefore, they are not included in the principal shareholder list.
  Dalton Investments LLC 3,223 shares

- Anderson Mori & Tomotsune Foreign Law Joint Enterprise and its joint holders submitted a change report on February 21, 2024 (date of reporting obligation: February 15, 2024) stating that they own the following shares, but the number of shares actually held as of March 31, 2024 cannot be confirmed. Therefore, they are not included in the above principal shareholder list.
  Columbia Wanger Asset Management, LLC 211 shares
  Threadneedle Asset Management Ltd. 483 shares
  Columbia Management Investment Advisers, LLC 3,161 shares
  Columbia Threadneedle Management Ltd. 238 shares

3. Corporate Data

Stock listings and markets	Tokyo (Prime)
Fiscal year-end	March 31
Business type	Wholesale
Number of employees (Consolidated) as of the end of the previous fiscal year	1,000 or more
Net sales (Consolidated) for the previous fiscal year	¥1,000 billion or more
Number of consolidated subsidiaries as of the end of the previous fiscal year	10 or more but less than 50 companies

4. Policy Concerning Protection of Minority Interests when Transacting with Controlling Shareholder

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5. Other Special Circumstances that could Materially Affect Corporate Governance

There are no special notes.

II. Management Organization and Other Corporate Governance Systems Concerning Management Decision-Making, Execution and Supervision

1. Matters Concerning Organizational Form and Organizational Management

Organizational Structure	Company with Audit and Supervisory Committee

Directors

Number of Directors in Articles of Incorporation	15
Term of Office for Directors in Articles of Incorporation	1 year
Chairperson of the Board	Chairman
Number of Directors	12
Appointment of Outside Directors	Yes
Number of Outside Directors	6
Outside Directors Designated as Independent Directors	6

Relationships with Macnica Holdings (1)

Name	Attributes	Relationships with Macnica Holdings (*)										
		a	b	c	d	e	f	g	h	i	j	k
Tsunesaburo Sugaya	Current or former employee of another company											
Makiko Noda	Current or former employee of another company											
Shinichiro Omori	Current or former employee of another company								△			
Yasuaki Mori	Current or former employee of another company				△							
Kay Miwa	Lawyer											
Yukie Sugita	CPA											

*Categories for “Relationship with the Company”.
(Use “o” when the director presently falls or has recently fallen under the category; “△” when the director fell under the category in the past; “●” when a close relative of the director presently falls or has recently fallen under the category; and “▲” when a close relative of the director fell under the category in the past.)
a. Person who executes business for the Company or its subsidiary
b. Person who executes business for or a non-executive director of the Company's parent company
c. Person who executes business for a fellow subsidiary
d. Person/entity for which the Company is a major client or a person who executes business for said person/entity
e. Major client of the Company or a person who executes business for said client
f. Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company in addition to remuneration as a director/Audit and Supervisory Board Member
g. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
h. Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to director him/herself only)
i. Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to director him/herself only)
j. Person who executes business for an entity receiving donations from the Company (applies to directors only)
k. Other

Relationships with Macnica Holdings (2)

Name	Audit and Supervisory Committee Member	Indepen-dent Director	Supplementary explanation of the relationship	Reason for appointment
Tsunesaburo Sugaya		○	—	Mr. Tsunesaburo Sugaya is currently Outside Director of the Company and has been providing advises and opinions at the Board of Directors based on the experience and expertise cultivated in the management of foreign investment businesses. He also stands as a member of the Nominating and Compensation Advisory Committee from a standpoint of objectivity and independence. The Company expects that he will provide appropriate advice on sustainable improvement of the Group's corporate value, and fill the role of member of the Nominating and Compensation Advisory Committee. Therefore, the Company determined that he is suitable as an Outside Director. Mr. Tsunesaburo Sugaya's term of office as an Outside Director of the Company is five years. He has been appointed as an Independent Director of the Company as he meets the independence criteria set by the Company and has no extraordinary income with the Company, and therefore has a high degree of independence and no conflict of interest with general shareholders.
Makiko Noda		○	—	Ms. Makiko Noda is currently an Outside Director of the Company, and has been providing advises and opinions at the Board of Directors based on experience and knowledge in support operations for local financial institute and expanding opportunities for women. She also stands as a member of the Nominating and Compensation Advisory Committee from a standpoint of objectivity and independence. The Company expects that she will provide appropriate advice on sustainable improvement of the Group's corporate value, and fill the role of member of the Nominating and Compensation Advisory Committee. Therefore, the Company determined that she is suitable as an Outside Director. Ms. Makiko Noda's term of office as an Outside Director of the Company is five years. She has been appointed as an Independent Director of the Company as she meets the independence criteria set by the Company and has no extraordinary income with the Company, and therefore has a high degree of independence and no conflict of interest with general shareholders.
Shinichiro Omori		○	Hitachi, Ltd., Hitachi Metals, Ltd. (currently Proterial, Ltd.) and Hitachi High-Tech Corporation, where he worked in the past, have transactions with the Group, but as the scale of these transactions is insignificant, accounting for less than 1% of the consolidated net sales of Macnica Holdings, he is considered to meet the Company's independence criteria.	Mr. Shinichiro Omori has a wealth of knowledge and extensive experience in management, having served as executive officer and chairperson of the board at global business corporations. The Company has renominated him as a candidate for Outside Director, expecting that he will contribute to the Group by supervising and providing advice, from an independent and objective standpoint, on initiatives to reinforce global management, IT strategy, digital transformation management and governance structures. Therefore, the Company determined that he is suitable as an Outside Director. Mr. Shinichiro Omori's term of office as an Outside Director of the Company is two years. He has been appointed as an Independent Director of the Company as he meets the independence criteria set by the Company, has no extraordinary income with the Company, and therefore has a high degree of independence and no conflict of interest with general shareholders.
Yasuaki Mori		○	He served as President and Representative Director, Infineon Technologies	Mr. Yasuaki Mori works for one of the world's leading semiconductor manufacturers. He possesses not only extensive experience and knowledge of the

Name	Audit and Supervisory Committee Member	Indepen-dent Director	Supplementary explanation of the relationship	Reason for appointment
			Japan K.K., a major customer of the Company, until 2018, after which he held executive positions at start-ups and other companies that have no business relationship with the Company. Based on the period after his retirement from the position of President and Representative Director, Infineon Technologies Japan K.K. and his subsequent career history, he is deemed to have no independence issues according to the Company's independence criteria.	semiconductor industry, but also experience in overall management as the person in charge of a Japanese subsidiary, as well as providing advice as an advisor to cutting-edge technology venture corporations, etc. globally. The Company has nominated him as a candidate for Outside Director, expecting that he will contribute to the Group mainly by supervising and providing advice, from independent and objective standpoint, not only on the semiconductor business and network business, which are the Group's main businesses, but also on strategic direction, business investment, etc. in the new CPS solution business. Therefore, the Company determined that he is suitable as an Outside Director. He has been appointed as an Independent Director of the Company as he meets the independence criteria set by the Company and has no extraordinary income with the Company, and therefore has a high degree of independence and no conflict of interest with general shareholders.
Kay Miwa	○	○	—	After practicing as a lawyer in China, Ms. Kay Miwa gained extensive knowledge and experience in the fields of legal affairs, cross-border M&A, and corporate governance as an in-house lawyer at multiple companies. She also has valuable knowledge about matters related to China, which is one of the major countries for the Company's business. Therefore, the Company determined that she is suitable as an Outside Director. She has been appointed as an Independent Director of the Company as she meets the independence criteria set by the Company and has no extraordinary income with the Company, and therefore has a high degree of independence and no conflict of interest with general shareholders.
Yukie Sugita	○	○	—	Ms. Yukie Sugita has professional knowledge and extensive experience gained as a certified public accountant. She also has experience of supporting listing of companies and serving as outside officer. Therefore, the Company determined that she is suitable as an Outside Director. She has been appointed as an Independent Director of the Company as she meets the independence criteria set by the Company and has no extraordinary income with the Company, and therefore has a high degree of independence and no conflict of interest with general shareholders.

Audit and Supervisory Committee

Details of Members and Attributes of Chairperson

	All Members	Full-time Members	Internal Directors	Outside Directors	Chairperson
Audit and Supervisory Committee	3	1	1	2	Internal Director

Has Directors and Employees to Assist the Audit and Supervisory Committee in its duties	Yes

Matters Concerning the Independence of Such Directors and Employees from Business Execution Directors

The Company considers the Internal Audit Office as an employee to assist the Audit and Supervisory Committee in its duties. The Internal Audit Office audits and gathers information on matters requested by the Audit and Supervisory Committee and reports the results to the Audit and Supervisory Committee. To ensure the Internal Audit Office's independence from Business Executive Officers, the Internal Audit Office performs its duties under the direction and orders of the Audit and Supervisory Committee in such business execution, and no other Business Executive Officer performs personnel evaluations, etc.

Cooperation between Audit and Supervisory Committee, Accounting Auditor and Internal Audit Department

Directors who are Audit and Supervisory Committee Members hold regular briefings and exchange of opinions with the Accounting Auditor on audit procedures, and the results of implementation. In addition, as necessary, they discuss status and issues relating to internal controls, as necessary to enhance the effectiveness and efficiency of audits.

Directors who are Audit and Supervisory Committee Members receive reports from the Audit and Supervisory Committee meetings on the results of internal audits conducted by the Internal Audit Department, and work together, for example, by holding regular meetings to exchange opinions.

Voluntary Committees

Has a Voluntary Committee Equivalent to Nominating Committee or Remuneration Committee	Yes

Details of Establishment, Members, and Attribute of Chairperson

	Committee's Name	All Members	Full-time Members	Internal Directors	Outside Directors	Outside Experts	Others	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Nominating and Compensation Advisory Committee	6	0	1	5	0	0	Internal Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Nominating and Compensation Advisory Committee	6	0	1	5	0	0	Internal Director

Supplementary Explanation for Applicable Items

The Company has established the above-mentioned Nominating and Compensation Advisory Committee as an advisory body to the Board of Directors. The committee members are appointed by resolution of the Board of Directors and comprise five independent outside directors and one (non-executive) internal director. (Of these, one is an outside director who is an Audit and Supervisory Committee Member. The Company has transitioned from a Company with an Audit and Supervisory Board to a Company with an Audit and Supervisory Committee as of June 26, 2024, and these figures represent the number of members after the transition. The relevant Outside Directors who are the Audit and Supervisory Committee Members were Outside Auditors before the transition and did not participate in this Committee.) The purpose of this Committee is (i) to report on the appointment and dismissal of the Representative Director and President, the formulation and promotion of the Succession Plan and the confirmation of the selection of candidates for the Board of Directors, and (ii) to examine the system and decision-making process and report on the remuneration and bonuses of the Company's Directors. In FY2023, the committee met six times, with 100% attendance by all committee members. The main issues discussed were the confirmation of the selection of executive candidates, the confirmation and review of the appropriateness of the level and structure of executive remuneration, the setting and review of KPIs for executive bonus, and the review of the President's performance and activities, and the prescribed report was made. The Committee also considered and deliberated on the revision of the skills matrix.

Independent Directors

Number of Independent Directors	6

Other matters concerning Independent Directors

There are no special notes.

Incentive System

Initiatives to offer incentives to directors	Introduction performance-based remuneration system, etc.

Supplementary Explanation for Applicable Items

1. Bonuses (Performance-Based Remuneration)

In order to raise awareness of the need to improve the Company's performance in each fiscal year, bonuses (performance-based remuneration) are set as KPIs for four financial items (consolidated net sales, consolidated operating income margin, ROE and consolidated working capital turnover) and non-financial items related to strategic goals and corporate culture. The amount is calculated according to the degree of achievement of each target. The reason for selecting these performance indicators is to ensure the scale of the Company's performance and profit levels and to encourage directors to realize their strategies. The bonuses (performance-based remuneration) for the year under review were calculated based on the figures for the Full Year ended March 31, 2024, and the actual results in terms of the main indicators were consolidated sales of 1,029,263 million yen, consolidated operating income margin of 6.0%, ROE of 20.5% (consolidated equity at the end of the period) and consolidated working capital turnover of 4.4 times.

2. Share-based Remuneration (Non-Monetary Compensation)

Share-based remuneration is granted as restricted share remuneration with transfer restrictions for a certain period for the purpose of providing medium- to long-term incentives and sharing shareholder value.

Stock option eligibility

Supplementary Explanation for Applicable Items

———

Remuneration for Directors

Status of Disclosure	Individual remuneration is not disclosed.

Supplementary Explanation for Applicable Items

Total remuneration for FY2023 was 394 million yen for 13 Directors (including 38 million yen for 5 Outside Directors).

Policy for determining remuneration and calculation methods	Yes

Disclosure of Policy on Determining Remuneration Amounts

The Nominating and Compensation Advisory Committee, an advisory body to the Board of Directors, deliberates on the Company's directors' remuneration and consults with the Board of Directors, and the Board of Directors decides on the total amount of remuneration within the total amount resolved by the General Meeting of Shareholders. The Nominating and Compensation Advisory Committee consists of five independent outside directors and one non-executive Director. The policy for determining the amount of remuneration for directors is determined by a resolution of the Board of Directors. The total amount of remuneration for directors is set at the remuneration level of a group of major domestic companies (market level) as the target level. A position table, based on the size of each director’s role, determines the specific remuneration for each director. Directors' remuneration consists of base compensation, bonuses (performance-based remuneration) and share remuneration, with a target ratio of 50:20:30. Base remuneration is paid in fixed monthly amounts, bonuses are paid in July of the following year and share remuneration is paid in July. In determining the details of individual director remuneration, the Nominating and Compensation Advisory Committee considers the draft from a variety of perspectives, including consistency with the decision-making policy, and the Board of Directors generally respects the report of the Committee and considers whether it is in line with the decision-making policy. Outside Directors receive only base remuneration (fixed remuneration).

Support System for Independent Directors

The Office of the President acts as a contact point and provides support with regard to the schedule of Board of Directors and other meetings and communication of important matters. In addition, the relevant departments support the collection of materials requested by outside directors and internal directors' materials required for Audit Committee Audits in cooperation with each other. Furthermore, the Board of Directors Office has been established to strengthen the support system by setting discussion topics for the Board of Directors, adjusting the discussion schedule and providing explanations to outside directors in advance of the meeting, depending on the agenda.

Status of Retired Executives Currently Serving in Advisory Positions

Names, positions, and other information related to retired executives currently serving in advisory positions

Name	Job title/ position	Responsibilities	Terms and Conditions of Employment (Full/part time, with/without remuneration, etc.)	Date when former role as president ended	Term
Kamiyama Haruki	Honorary Chairman	Provide advice based on experience and insight at the request of the Company	Part-time, without remuneration	June 24, 2008	2 years

Number of retired executives currently serving in advisory positions	1

Other Related Matters

The date of Haruki Kamiyama's retirement as President marks his retirement as President of Macnica, Inc. Subsequently, he served as Representative Director and Chairman of Macnica, Inc. until June 24, 2010, and as Chairman of the Board of Macnica, Inc. until June 25, 2019.

2. Matters Concerning Business Execution, Audit and Supervision, Nomination, Remuneration and Other Functions (Outline of the Current Corporate Governance System)

The Company has made continuous efforts to enhance and strengthen Corporate Governance in order to become a more competitive company and to improve its corporate value over the medium- to long-term, and has transferred from a Company with an Audit and Supervisory Board to a Company with an Audit and Supervisory Committee with the approval of the 9th Annual General Meeting of Shareholders held on June 26, 2024. This is intended to further accelerate decision-making and business execution by delegating important management decisions from the Board of Directors to the Directors, while the Board of Directors will strengthen its supervisory function by, for example, focusing more on discussions and policy decisions on key management challenges such as strategy, human resources and risks, and monitoring the execution by the management. The aim is to enhance the competitiveness and corporate value of the Company through the twin pillars of supervision and execution.

The Company's basic management and administrative structures are the Board of Directors, Group Management Committee, Audit and Supervisory Committee and Nominating and Remuneration Advisory Committee.

1. Board of Directors

The Board of Directors comprises nine directors (excluding Directors who are the Audit and Supervisory Committee members) (including four outside directors) and three Directors who are the Audit and Supervisory Committee members (including two outside directors), making a total of 12 members.

The Board of Directors adopts a monitoring model and, in accordance with the Board of Directors Regulations and other relevant regulations, carries out decision-making on basic management policies such as the Company's Purpose, Vision,

Values and Medium- to Long-Term management strategy and plans, and holds discussions focusing on important management challenges for the Group, such as strategy, human resources and risks. The meetings are held once a month, in principle, for supervision of business execution by the management team.

2. Group Management Committee

Following the Company's transition to a Company with an Audit and Supervisory Committee, decisions on important business execution in the Group have been delegated from the Board of Directors to Directors. The Company's Group Management Committee, chaired by the Representative Director and President and comprising Business Executive Directors and Executive Officers, discusses and decides on matters relating to business execution in the Group. It collates and analyzes information on issues relating to the progress of the Group's key policies for each fiscal year and issues raised by Group companies, etc., and carries out decision-making. In addition, a Group Management Committee members' camp is held three times a year to discuss important matters related to medium- to long-term management strategy for each business segment, where more time is spent on intensive discussions.

3. Audit and Supervisory Committee

The Company's Directors who are members of the Audit and Supervisory Committee consist of three directors (two of whom are outside directors) and, in accordance with Audit Committee Regulations and internal rules on auditing and supervision by Audit and Supervisory Committee, audits the execution of duties by the directors and performs other duties as required by law and the Articles of Association. The Audit and Supervisory Committee holds monthly meetings to share information and confirm the progress of the audit plan with regard to the implementation of audits.

In addition, a full-time Audit and Supervisory Committee Member has been selected, and a mechanism has been established to enable the Audit and Supervisory Committee to fulfil its auditing function with regard to business execution, by providing opportunities for the heads of each department to report to the Audit and Supervisory Committee, thereby enhancing the effectiveness of the Audit and Supervisory Committee's functions.

4. Nominating and Compensation Advisory Committee

As an advisory body to the Board of Directors, the Nominating and Compensation Advisory Committee, which consists of five outside directors (including one outside director who is the Audit and Supervisory Committee member) and one non-executive director, reports to the Board of Directors on the appointment of the Representative Director and President, confirmation and consideration of the selection of candidates for Directors who are the Audit and Supervisory Committee members, and the remuneration (including share remuneration) of each director and executive officers. In addition, by appointing one outside director who is the Audit and Supervisory Committee member as a member of the Nominating and Compensation Committee, the Company has established a system whereby the opinions of the Audit and Supervisory Committee can be formed after confirming the appropriateness of the Nominating and Compensation Advisory Committee.

3. Reason for Selecting Present Corporate Governance System

The Company has transitioned from a Company with an Audit and Supervisory Board to a Company with an Audit and Supervisory Committee. The Company has traditionally promoted the separation of the Board of Directors' supervision functions from the corporate management's execution functions, for example by introducing Executive Officers, but we believe that by adopting this system, we can further promote the separation and increase our competitiveness as a

company and our corporate value. The Board of Directors consists of 12 directors, including six highly independent outside directors, and the Company believes that by accepting opinions from outside, the fairness of corporate management and advice from diverse experience and a wide range of insight will enable appropriate decision-making. Directors who are the Audit and Supervisory Committee members have voting rights at the Board of Directors and, as the Audit and Supervisory Committee, have the right to express their opinions at the General Meeting of Shareholders regarding the appointment and remuneration of Directors, which is expected to strengthen the supervision of Business Executive Directors. In addition, the Nominating and Compensation Advisory Committee has been established as an advisory body to the Board of Directors, thus strengthening the system to complement the functions of the Board of Directors.

III. Implementation of Initiatives Concerning Shareholders and Other Stakeholders

1. Ensuring an Active Ordinary General Meeting of Shareholders and Smooth Exercise of Voting Rights

	Supplementary Explanation
Scheduling of the General Meeting of Shareholders on a Non-Peak Day	The basic policy is to set the date of the meeting to avoid Peak Days so that more shareholders can attend.
Electronic Exercise of Voting Rights	In order to ensure that shareholders have time to consider proposals and to facilitate the exercise of voting rights, voting via the internet has been introduced.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	Participation in voting platforms to improve the voting environment for institutional investors.
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	An English translation of the Provision of Notice (or Summary of Notice) has been prepared and is available on the Company's website.
Other	At General Meetings of Shareholders, the Company strives to provide easy-to-understand explanations. This includes business reports with narration and the projection of graphs and other materials on a screen, in order to deepen shareholders' understanding.

2. Investor Relations (IR) Activities

	Supplementary Explanation	Presentation by Representative
Formulation and Publication of Disclosure Policies	The Information Disclosure Policy is available on the Company's website.	
Regular Investor Briefings held for Individual Investors	We regularly hold briefings for individual investors and distribute archived videos. Additionally, we organize integrated report briefings to provide opportunities for direct dialogue with our management team, enhancing understanding of our company. We also issue shareholder newsletters and strive to maintain and strengthen information disclosure for individual shareholders and investors.	Held
Regular Investor Briefings held for Analysts and Institutional Investors	Financial results briefings are held on the same day as the announcement of the full-year and second quarter results, and small group meetings are held when the first and third quarter results are announced. In addition, individual meetings are held at the request of analysts and institutional investors for each quarterly results.	Held
Online Disclosure of IR Information	The Company's website contains financial statements (with English disclosure), supplementary materials (with English disclosure), provision of notice of General Meeting of Shareholders (with English disclosure), annual securities reports, shareholder newsletters and other timely disclosure materials (with English disclosure).	
Establishment of Department and/or Placement of a Manager in Charge of IR	The Management Planning Department is in charge of IR.	

3. Measures Concerning Respect of the Standpoint of Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	The Code of Conduct stipulates that the Company respects the position of its customers, employees and other stakeholders, and is published on the Company's website.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	The Company strives to protect the environment by operating environmental management based on the ISO 14001 standard, which has been certified by its subsidiary. In addition, the Company has started to set KPIs, etc. based on the TCFD framework.
Formulation of Policies, etc. on Provision of Information to Stakeholders	The Code of Conduct stipulates that the Company discloses its activities in a positive and fair manner. The Information Disclosure Policy sets out the basic policy and methods of disclosure.
Other	The Code of Conduct stipulates that the Company respects the position of its customers, employees and other stakeholders, and is published on the Company's website.

IV. Matters relating to Internal Control System

1. Basic Stance Regarding Internal Control System and Status of Establishment

The Company is committed to strengthening and thoroughly implementing its Internal Control System in accordance with the basic policy on the Internal Control System adopted by the Board of Directors.

The basic policy for the development of the Internal Control System in accordance with Article 362 of the Companies Act and Article 100 of the Enforcement Regulations of the Companies Act, as resolved by the Board of Directors, is as follows.

1. Systems to Ensure that the Execution of Duties by Directors and Employees Complies with Laws, Regulations and the Articles of Incorporation

(1) Based on the recognition that compliance with laws and regulations is a prerequisite for corporate activities, Directors, Executive Officers and employees shall take the initiative in ensuring that the Company and the Group in general comply with laws and regulations. Directors attend regular monthly meetings of the Board of Directors in accordance with the "Board of Directors Regulations" and other relevant regulations, to ensure communication between directors and to mutually monitor and supervise the execution of their duties.

(2) The Compliance Regulations shall be established as the basis for the compliance system. The Compliance Department, chaired by the President, is in charge of promoting compliance in the Company and the Group, while the Compliance and Risk Management Committee is responsible for discussing and approving issues and measures.

(3) The Group shall work to develop a system for the elimination of anti-social forces and ensure that all officers and employees of the Group take a firm stance against anti-social forces and do not accept any unjustified or unreasonable demands.

(4) Establish and operate internal controls to ensure the reliability of financial reporting and properly assess their effectiveness.

(5) The Internal Audit Office, which is responsible for internal audits, audits compliance with laws and regulations and submits a report to the Board of Directors and submits a copy to the Audit and Supervisory Committee.

(6) As an internal reporting system for violations of laws and regulations and other compliance-related facts, the Company and its Group companies shall establish and operate an internal reporting system in which, in addition to the internal contact point, third-party organizations, etc. are direct recipients of information. The Compliance and Risk Management Committee monitors its operation.

(7) If the Audit and Supervisory Committee considers that there is a problem with the operation of the legal compliance system and an internal reporting system of the Company and the Group, it may express its opinion and request the Board of Directors to formulate improvement measures.

2. System for the Storage and Management of Information Related to Directors' Execution of Duties

Information relating to the execution of duties by directors shall be stored and managed appropriately and reliably in a highly searchable state according to the storage medium in accordance with the "Document Management Regulations" and shall remain accessible for a certain period of time.

3. Regulations and Other Systems for Managing the Risk of Loss

(1) In order to establish a risk management system, the Company shall establish the Risk Management Regulations and set up a Compliance and Risk Management Committee to conduct various types of risk management, monitor the status

of risk management promotion, formulate necessary measures and regularly report to the Board of Directors and the Group Management Committee.

(2) Establish a cross-sectional internal management system capable of responding quickly, such as setting up a task force and managing information in the event of a risk occurrence, to prevent the spread of secondary damage and the recurrence of such damage.

4. System for Ensuring that Directors Perform Duties Efficiently

(1) The Board of Directors meets regularly once a month, as well as on an ad hoc basis as necessary. The Company delegates part of the important execution of the Board of Directors to the Directors, who make decisions quickly at the Group Management Committee presided over by the Representative Director, while important matters are reported to the Board of Directors and subject to supervision by the Board of Directors.

(2) With regard to the business execution based on decisions by the Board of Directors, the Company shall ensure the efficient execution of duties through the division of roles and command and order relationships, etc., in accordance with the Regulations on the Assignment of Duties and the Regulations on Administrative Authorities.

5. System to Ensure the Suitability of Business Conducted in the Corporate Group Consisting of the Company and Its Subsidiaries

(1) The Group Management Philosophy shall apply to all Group companies. The Group companies shall establish their various regulations on this basis. In accordance with the business management agreements concluded with the directly invested companies, the Company shall appropriately manage the business of the Group companies by requesting the approval of the Company or reporting to the Company on important matters.

(2) In accordance with the Regulations for the Management of Group Companies, Group companies are managed and monitored as necessary.

(3) The Company's Directors report to the Audit and Supervisory Committee Member if they discover any violations of laws and regulations or other important compliance matters in the Group companies.

(4) The Internal Audit Office conducts internal audits of Group companies as necessary in accordance with the Internal Audit Regulations. Internal audits carried out by Group companies are monitored upon receipt of the relevant report.

6. Items Concerning Employees Assisting in the Duties of Audit and Supervisory Committee and Items Concerning Their Independence from Directors

(1) When requested by the Audit and Supervisory Committee, the Company appoints Audit and Supervisory Committee Assistant (Audit and Supervisory Committee Staff) from among the Company's employees. The Audit and Supervisory Committee Staff's personnel evaluation shall be conducted by the Audit and Supervisory Committee, and the Board of Directors shall decide on the appointment, dismissal, transfer and revision of wages, etc. of Audit and Supervisory Committee Staff with the consent of the Audit and Supervisory Committee, ensuring independence of the Audit and Supervisory Committee Staff from Directors.

(2) If such employee concurrently serves as an employee of another department, the employee shall give priority to work related to the Audit and Supervisory Committee.

7. System for Directors and Employees to Report to the Audit and Supervisory Committee

(1) At the request of the Audit and Supervisory Committee, Directors and employees shall report to the Audit and

Supervisory Committee on important matters affecting the business or performance of the Company and the Group on a case-by-case basis. In addition, the Audit and Supervisory Committee may request reports from the Directors and employees at any time and as necessary.
The results of internal audits conducted by the Internal Audit Office and the status of reports made in accordance with the “Macnica Group Internal Reporting Regulation” shall be reported to the Audit and Supervisory Committee.
(2) Directors and employees shall immediately report to the Audit and Supervisory Committee if it discovers any facts that may cause significant damage to the Company.
(3) Directors and employees who report to the Audit and Supervisory Committee are prohibited from being treated unfavorably because of such reporting.

8. Other Systems to Ensure that the Audit and Supervisory Committee's Audits are Conducted Effectively
(1) In investigating the state of affairs and assets of the Company and the Group and in performing other audit duties, the Audit and Supervisory Committee shall receive reports from the Internal Audit Office on the results of internal audits, etc. and may request the Internal Audit Office to conduct investigations as necessary. The Audit and Supervisory Committee shall maintain close cooperation with the Internal Audit Office and Accounting Auditors and ensure a system for conducting efficient audits.
(2) The Representative Director meets regularly with the Audit and Supervisory Committee to exchange views on issues to be addressed by the Company and the Group and cooperates with the legal advisers and others.
(3) Macnica Holdings will bear the necessary expenses for the execution of duties by the Audit and Supervisory Committee.

2. Basic Policies to Protect against Entities and Individuals Engaged in Unlawful Activities and Status of Establishment

The Company's basic policy is to deal with anti-social forces and groups in a resolute and organized manner, in active cooperation with the police, lawyers and other external professional bodies.

Anti-social forces and groups shall be resolutely confronted and employees shall be made aware of this and the Compliance Department shall be put in charge of collecting information.

V. Other Matters

1. Matters Concerning Anti-Takeover Measures

Matters concerning anti-takeover measures	No

Supplementary Explanation for Applicable Items

2. Other Matters Concerning the Corporate Governance Framework

The Company recognizes that maintaining a high level of Corporate Governance contributes to gaining the trust of shareholders, business partners and other stakeholders and, in turn, to increasing corporate value. From this perspective, the Company is committed to further enhancing its Corporate Governance, strengthening its Internal Control System and increasing management transparency through timely and appropriate information disclosure. The following is a description of the Company's system for the timely disclosure of corporate information.

Status of Development and Operation of Timely Disclosure System

1. Efforts to Develop a Timely Disclosure System

The Company regards the enhancement of its system for the timely disclosure of corporate information as part of its Corporate Governance and promptly and properly discloses information that is deemed important for investors to make investment decisions. In addition, the content of properly disclosed corporate information is disclosed on the Company's website.

The handling of information is regulated by the “Information Handling Regulations,” which unify the contact point for enquiries (department in charge of timely disclosure) in the event of material facts and clarify the roles and responsibilities of each department. Information collected is collected from time to time by the person responsible for information handling, and information to be released is published in a timely manner in accordance with the rules on timely disclosure of Company Information set out by the Stock Exchange.

2. Department in Charge of Timely Disclosure

Management Planning Department

3. Internal Procedures for Timely Disclosure

(1) Important corporate information of the Group is reported as an agenda item to the Group Management Committee (Chairperson: Representative Director and President), which deliberates on the content and whether or not timely disclosure is necessary. Of the material corporate information reported, matters requiring a decision by the Board of Directors shall be submitted to the Board of Directors.

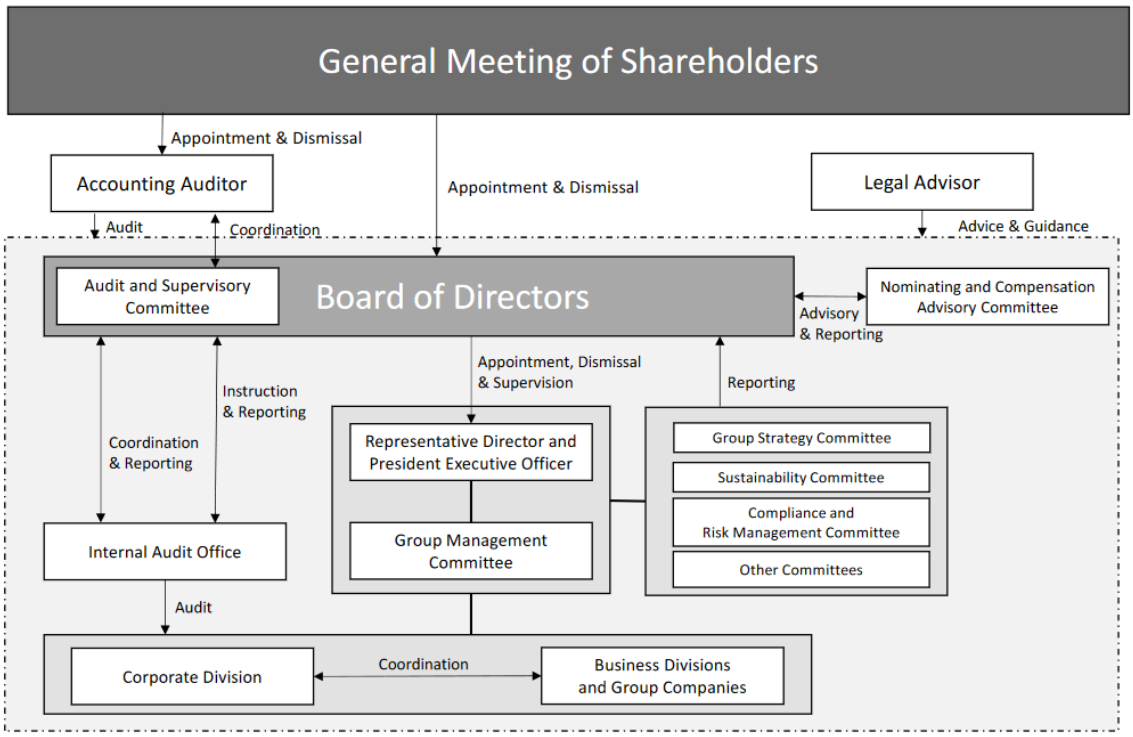
(2) The Management Planning Department shall endeavor to ascertain the facts of the decision as well as the facts of the occurrence and shall discuss with the relevant parties whether the information complies with the information to be disclosed in a timely manner.

(3) In accordance with the Financial Instruments and Exchange Act, government orders under the Act and the

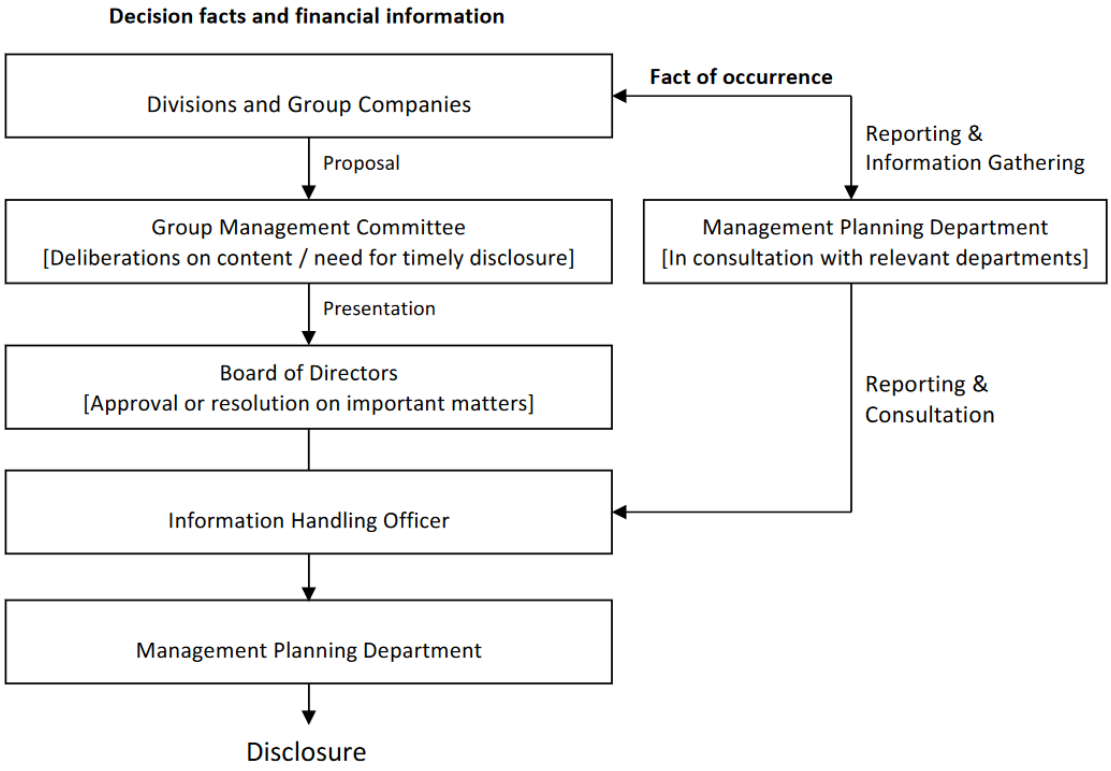
Regulations on Timely Disclosure of Corporate Information, the Management Planning Department will release corporate information that falls under the category of information to be disclosed in a timely manner at the appropriate time in accordance with the instructions of the person responsible for handling the information.

(4) The Management Planning Department, in cooperation with the relevant internal departments, will work to accelerate the announcement of the financial results for each quarter and for the full year.

Corporate Governance System (Schematic Diagram)



Outline of Timely Disclosure System (Schematic Diagram)

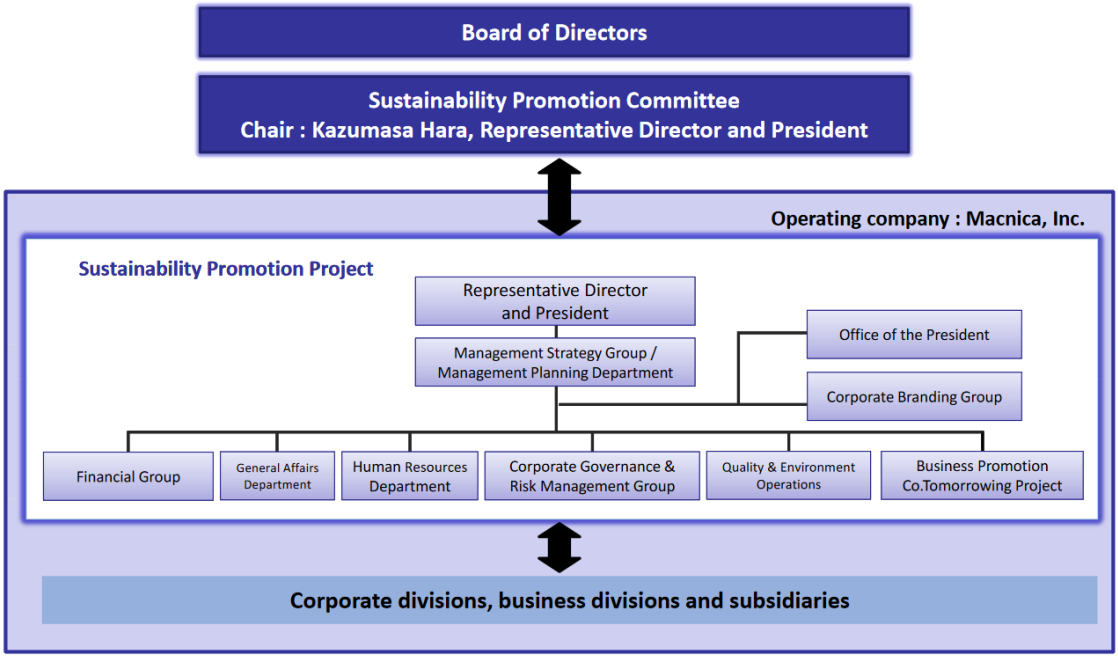


Women, Foreign Nationals and Mid-Career Hires

*Main operating subsidiary Macnica, Inc.

		Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
All Employees		1977	2234	2322	2454	2661
Management		473	519	521	553	580
Including Women	Employee	532	617	650	712	760
	Management	25	24	26	29	36
Including Foreign Nationals	Employee	26	32	39	38	55
	( ) Includes Management-Level Positions	1 (8)	2 (8)	2 (7)	1 (6)	1 (9)
Including Mid-career hires	Employee	1256	1415	1473	1574	1736
	Management	292	317	311	329	344

Sustainability Promotion System



List of Experience and Expertise Possessed by Directors (“Skills Matrix”)

This table highlights the primary "knowledge, experience, skills, etc." possessed by directors. It does not encompass all their attributes. The assessment of skills is based on "experience" and "expertise" derived from work history, which can be evaluated and explained objectively to a certain degree.

Name	Position (Outside)	Since	Skills required to fulfill the functions of the board (including expertise, experience, competencies)													
			Corporate Management	Corporate Governance	Long-term Strategy	Risk Management	Human Resource & Corporate Culture	Capital Market & Finance	Global Business Management	Innovation	Business Investment & M&A	Industry Knowledge	DX & Technology	Branding	Compliance & Legal Affair	Sustainability
Kiyoshi Nakashima	Director (Non-executive)	**2015**	●	●	●	●	●	●	●	●	●	Semiconductor & NW	—	●	—	—
Kazumasa Hara	Representative Director	**2019**	●	●	●	●	●	●	—	●	●	Semiconductor & NW	●	●	—	●
Akinobu Miyoshi	Representative Director	**2019**	●	—	●	—	●	—	●	●	—	Semiconductor & NW	—	—	—	—
Eiichi Nishizawa	Director (Non-executive)	**2015**	—	●	—	●	—	●	—	—	●	Semiconductor	—	—	—	—
Makoto Okawara	Director	**2024**	●	—	—	●	—	●	●	—	●	Trade company	—	—	—	—
Tsunesaburo Sugaya	Outside Director	**2019**	●	●	—	—	—	●	●	●	●	Investment	—	—	—	—
Makiko Noda	Outside Director	**2019**	●	●	—	—	—	—	—	—	—	Business development, etc.	—	—	—	●
Shinichiro Omori	Outside Director	**2022**	●	●	—	●	—	—	●	—	●	Electrical machinery, etc.	●	—	—	—
Yasuaki Mori	Outside Director	**2024**	●	●	●	●	●	●	●	—	●	Semiconductor & AI, etc.	●	—	—	—
Shinichi Onodera	Director (Audit and Supervisory Committee Member)	**2024**	—	●	—	●	—	●	●	—	●	Semiconductor	—	—	—	—
Kay Miwa	Outside Director (Audit and Supervisory Committee Member)	**2024**	—	●	—	●	—	—	●	—	●	Automobile, etc.	—	—	●	—
Yukie Sugita	Outside Director (Audit and Supervisory Committee Member)	**2024**	—	●	—	●	—	●	—	—	—	Accounting	—	—	—	—