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NIPPON SIGNAL CO., LTD

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The status of corporate governance of Nippon Signal Company, Limited ("Company") is as described below.

I Basic approach to corporate governance, and capital structure, corporate attributes and other basic information

1. Basic approach

The Company Group's basic policy on corporate governance is to operate with focus on all its stakeholders, deliver satisfaction to all of them, and contribute to society.

In order to carry out this basic policy faithfully, the Company Group will continuously promote management structure reforms to strengthen its corporate governance and increase its ability to respond flexibly and swiftly to changes in the management environment.

[Disclosure pursuant to the principles of the Corporate Governance Code] Update

[Principle 1-4: Cross Shareholdings]

The company holds cross shareholdings in consideration of the necessity of maintaining and strengthening business alliance, and cooperative relationships at business sites centered on financial transaction.

From the viewpoint of maintaining and improving corporate value, it is desirable to have the minimum necessary shareholdings, and the Board of Directors examines the purpose of holdings, unrealized gains and losses, changes in transaction volume, business partners, future relationships, etc., for each holding, and determines the rationality of holding each stock every year. As a result, cross-shareholdings that are judged to be of little significance will be sold.

As of the end of FY2029, which is the final year of the medium-term management plan "Realize-EV100" (FY2024~FY2028), which is currently underway, we aim to reduce the ratio of cross-shareholdings to total consolidated net assets to 20% or less.

With regard to the exercise of voting rights related to cross-shareholdings, we will support proposals that contribute to the enhancement of corporate value, and we will not make affirmative judgments on proposals that we judge to damage corporate value, and we will engage in dialogue with the company concerned about the content of the proposals as necessary.

Since it is necessary to confirm qualitative information about individual companies and make a comprehensive judgment, we do not have a uniform standard for exercising voting rights at this time.

[Principle 1-7: Related party transactions]

The Company clearly defines approval standards in its various internal rules, including the "Rules of the Board of Directors" established by a board resolution.

Related party transactions are designated as a matter needing a resolution of the Board of Directors. Conflict-of-interest transactions are subject to prior approval by the Audit and Supervisory Committee.

In addition, transactions with major shareholders and the like are to be approved by the Board of Directors or in the form of round-robin approval to ensure fair and reasonable terms based on market prices and competitive quotes.

[Supplementary Principle 2-4-1: Ensuring diversity in the engagement of core personnel and so on]

Considering that human resources diversity should be part of its resilience enhancement efforts, the Company promotes various diversity initiatives, including encouraging women's engagement, hiring foreign employees, and promoting experienced personnel to supervisory positions.

The proportion of female employees is relatively low because engineers, especially in engineering science, make up a large portion of the Company's workforce. However, the Company's employment and promotion practices are not based on gender, but on personal competency, and its present recruitment activities are designed to attain the target of increasing the number of female employees especially in engineering positions by at least 20% by FY2025 as compared with the FY2019 level. The Company also endeavors to increase the retention rate among female employees and supports their career enhancement by providing environments that facilitate their active participation. The Company's target for the time being is to raise the percentage of female supervisors to 5% or more.

In connection with initiatives under its long-term and medium-term management plans, the Company also endeavors to increase foreign employees and mid-career hires, and support their career development.

Given the expansion of its international operations, the Company aims to hire at least two foreign employees every year, especially from Japanese universities that lead globalization and overseas ones of which a relatively large portion of the graduates take jobs in Japanese-affiliated companies. The Company also provides programs for foreign employees in order to improve their motivation and skills.

With regard to mid-career employment, the Company endeavors to hire more engineers for engagement in new business creation such as DX, and provides education programs for mid-career hires. In the interest of greater diversity, the Company promotes personnel with various career backgrounds to supervisory positions, and mid-career hires account for approx. 16% of supervisory positions and approx. 15% of executive officer posts.

[Principle 2-6: Acting as a pension plan asset owner]

The fund-type or rules-type defined benefit pension plan and employee's pension fund assumed by the Corporate Governance Code is not introduced to the Company. The Company provides a defined contribution pension plan for employees in order to help them build their own assets steadily, and provides them with investment seminars once a year so that they can choose appropriate investment destinations.

[Principle 3-1: Expansion of disclosures]

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

At its December 2015 meeting, the Board of Directors resolved to revise the Company's corporate philosophy and issue it as "Nippon Signal Group Philosophy," which became applicable on April 1, 2016.

The Nippon Signal Group Philosophy as well as documents showing the Company's business condition, such as long-term and medium-term management plans, financial summaries, business reports, and integrated reports, are disclosed at the Company's website. (https://www.signal.co.jp/ir/annualreport/)

(2) Basic approach to and policy on corporate governance based on the principles of the Code

The Company's basic approach to corporate governance is as described in "1.1 Basic approach" of the Company's corporate governance report.

(3) Matters regarding policies for determining the amount of the officers' remuneration etc. or its calculation method

Remuneration to directors (other than those who are concurrently on the Audit and Supervisory Committee) consists of fixed remuneration, which is determined separately for each position, and performance-based remuneration, which is linked to medium/long-term and short-term business results, so that the remuneration will work as a sound incentive to enhance corporate value over a medium-to-long term and achieve short-term business targets. As a basic policy, it is ensured that each individual director's remuneration will be reasonable in light of his/her job responsibilities.

Decisions on remuneration are made by the Board of Directors based on the opinion of the Audit and Supervisory Committee after consultation with the Appointment and Remuneration Committee, an advisory body for the Board of Directors, a majority of the members of which are independent outside directors, subject to the "maximum aggregate limit of 500 million yen per year (including 36 million yen for outside directors)" as approved by the 140th annual shareholders meeting on June 23, 2023.

Remuneration to directors who are concurrently on the Audit and Supervisory Committee is discussed and determined by directors who are concurrently on the Audit and Supervisory Committee, subject to the "maximum aggregate limit of 84 million yen per year" as approved by the 140th annual shareholders meeting on June 23, 2023.

(4) Policies and procedures regarding the Board of Directors' appointment and removal of management executives, and nomination of candidates

The Company Group strives to remain as a provider which supports "the evolution of infrastructure" with safe and reliable solutions. As drivers of the Company's sustainable business growth, the proposed directors have high standards of knowledge and experience as business managers, deep insight into technology development surrounding the Company, the ability to promote the expansion of global business domains, and specialist knowledge about corporate governance.

[Candidates chosen from inside the Company]

The candidates have high standards of knowledge about business management in general, including knowledge about the business environments and industries in which the Company is operating, understandings of the Company's strengths and issues gained through manufacturing, technology, research and development, marketing and sales activities, and experience in management control, such as accounting, legal affairs and risk management.

[Candidates for outside director positions]

The candidates possess the ability to give advice on management strategies and exercise effective supervision over business management, using their advanced specialist knowledge and experience outside the Company Group's business domains. Due attention has been paid to diversity and balance. In order to ensure that objective and independent opinions are fully reflected in corporate management, the candidates for outside director positions meet the requirements for independent directorship specified by the Tokyo Stock Exchange. In addition, they must make up at least one third of all candidates for director positions and at least one of them must have management experience at another company.

With regard to the selection of candidates for director positions and executive officers, the decisions are made by the Board of Directors based on the opinion of the Audit and Supervisory Committee after consultation with the Appointment and Remuneration Committee in order to enhance the objectivity and transparency of the decision-making process.

(5) Explanation of individual appointment, removal, or nomination when the Board of Directors appoints or removes management executives or nominates candidates for director positions pursuant to (4) above

The reasons for selecting each of the candidates for director positions are set forth in the notice of a shareholders meeting together with their career history information, after consultation with the Appointment and Remuneration Committee.

If removal is objectively found to be reasonable, it is discussed by the Board of Directors based on the opinion of the Audit and Supervisory Committee after consultation with the Appointment and Remuneration Committee.

[Supplementary Principle 3-1-3: Sustainability initiatives etc.]

The Company's present long-term management plan Vision-2028 EVOLUTION100 mentions sustainability initiatives as part of "risk management and governance adapted to environmental changes." Under its medium-term management plan, too, the Company aims to accelerate the social implementation of DX-based new businesses and merchandise, expand decarbonization solutions and overseas businesses, and enhance the efficiency of its manufacturing by the 100th anniversary of its foundation in 2028. Also included in its initiatives are ROE and ROIC improvement for realizing management with the capital cost and the stock price in mind, and the realization of sustainability management.

In order to achieve the social implementation of new businesses and merchandise in response to changes in customer needs, the Company has designated "automated operation on railroads," "automated operation on roads," "Maas (Mobility as a Service) and payment solutions," "ecology," etc. as key focus areas in which the Company expands intellectual property linked to business strategies in order to create new businesses, and sets and works toward specific targets, such as environmental ones, formulates and implements specific activities, and makes disclosures as appropriate.

With regard to investments in human capital and intellectual property, domains for investment and amounts to be invested are specified in the medium-term management plan in order to attain business expansion and larger shares in existing markets. Those investments are discussed by the Board of Directors in the form of annual business planning and semiannual investment progress evaluation, and also at monthly meetings of the Committee of Directors. They are examined and modified, and their progress monitored as appropriate.

Climate change has a great impact on society, and the Company considers it to be an important social issue that the Company needs to address. In order to realize a decarbonized society envisioned by the Paris Agreement (the amount of greenhouse gas emissions from human activity should be reduced to virtually zero in the latter half of this century in order to keep the world's average temperature rise below 2℃ as compared with the pre-Industrial Revolution era), the Company will endeavor to reduce its greenhouse gas emissions by 50%, and pursue initiatives to reduce greenhouse gas emissions and combat global warming under the two different scenarios, that is, the 1.5℃ scenario and the 4℃ scenario.

Disclosed information is included in the integrated reports. (https://www.signal.co.jp/ir/annualreport/)

[Supplementary Principle 4-1-1: Roles and duties of the Board of Directors (1)]

Matters to be resolved by the Board of Directors are matters which laws, regulations, and the Articles of Incorporation require to be resolved by the Board of Directors, important matters related to business operation, including the drafting of medium-term and short-term management plans, and other matters specified in the Rules of the Board of Directors and their schedule, which specifies standards regarding the submission of matters to the board for its approval. The scope of delegation to management executives is specified in the Schedule of the Rules of the Board of Directors and other authority standards, including the rules for executive officers.

[Principle 4-9: Independence verification criteria and qualifications for independent outside directors]

The Company has "criteria for judging the independence of outside officers" so that it can objectively verify the independence of outside directors. The details of the criteria are described in "2.2 Matters regarding business execution, auditing and supervision, nomination, determination of remuneration, and other functions" of the Company's corporate governance report.

[Supplementary Principle 4-10-1: Ensuring the independence of the nomination and remuneration committee]

The Company has the Appointment and Remuneration Committee, an advisory body independent of the Board of Directors. a majority of the members of which are independent outside directors, and matters regarding the nomination of and remuneration to officers are to be determined by the Board of Directors after consultation with this committee. Thus, independent outside directors are properly involved in and provide appropriate advice about gender and other diversity issues, and personal skill issues.

[Supplementary Principle 4-11-1: Preconditions for ensuring the effectiveness of the Board of Directors]

The Company Group strives to remain as a provider which supports "the evolution of infrastructure" with safe and reliable solutions. As drivers of the Company's sustainable business growth, the proposed directors have high standards of knowledge and experience as business managers, deep insight into technology development surrounding the Company, the ability to promote the expansion of global business domains, and specialist knowledge about corporate governance. In their selection, due attention is paid to balance.

The areas of expertise and the like to be possessed by the Board of Directors and the balance are disclosed at the Company's website under "Status of skills possessed by the Board of Directors." (https://www.signal.co.jp/aboutus/governance/)

[Supplementary Principle 4-11-2: Preconditions for ensuring the effectiveness of the Board of Directors]

Concurrent duties assumed by each director are disclosed in the business reports, reference documents for shareholders meetings, and securities reports.

[Supplementary Principle 4-11-3: Preconditions for ensuring the effectiveness of the Board of Directors]

The Company evaluated the effectiveness of the Board of Directors in order to continue its efforts to identify issues and make improvements based on the results of periodical verification of the proper functioning of the Board of Directors.

A questionnaire survey in February 2024 covered questions about the composition and administration of the Board of Directors, and the quality of deliberation at board meetings. The responses were aggregated by the board administration office, and the aggregated results were submitted to and fully discussed and analyzed by the Board of Directors.

As a result, it was found that the Board of Directors had an appropriately diverse and balanced composition, conducted open discussions, fulfilled its supervisory function, and was highly effective as a whole.

In this questionnaire survey, the overall rating was above "Generally appropriate," but some issues were pointed out in relation to "content and volume of reference documents," "availability of sufficient time to discuss important matters," and so on.

Accordingly, the Company will endeavor to enhance the quality of deliberation at board meetings by improving the quality of the reference materials so as to make them more focused. Furthermore, the Company will further increase the effectiveness of discussions about medium-term management issues by providing the Representative Director with more opportunities to have dialogues with the Audit and Supervisory Committee and outside directors, and otherwise.

[Supplementary Principle 4-14-2: Director training]

The Company uses third-party training services and conducts regular officer seminars twice a year in order to help new executive officers to improve their leadership and necessary competence for participation in management.

Individual officers also participate in pan-industry social events and other third-party seminars and the like on their own initiative for self-improvement.

[Principle 5-1: Policy on constructive dialogues with shareholders]

The Company takes dialogues with shareholders and investors as one of its important management issues. The General Affairs Department acts as a contact point for this purpose, and examines dialogue methods with the Representative Director and the officer in charge and provides as many opportunities for constructive dialogues as possible in order to enhance corporate value.

Specifically, the Company holds financial results briefings for the news media, analysts and institutional investors, and participates in IR events for individual investors in order to have constructive dialogues for corporate value enhancement. Dialogues between the management executives and institutional investors are held on a continuous basis as well.

The Company makes information disclosures at its website, and General Affairs Department members conduct one-on-one interviews from time to time so that the Company's business line will be understood better.

The Company also conducts shareholder identification research in order to gain accurate data on its shareholder structure.

[Actions to realize management with the capital cost and the stock price in mind]

The Company will balance growth investment with profit return to shareholders while securing capital/financial strategies and financial soundness. The Company's basic policy about the appropriation of a surplus is to invest in research and development, improve production systems, and promote human resources development in order to establish stable earnings structures and management bases from a long-term perspective and increase its financial health, while providing shareholders with consecutive dividends and profit distributions according to business results. The Company's targets for the time being are a consolidated dividend payout ratio of 30% or more, and a DOE of at least 2.0%.

The Company will also improve both its profitability and capital to enhance PBR and ROIC.

- The Company aims at an ROE of 10.0%* as the indicator with which to measure its progress toward a PBR of 1.0 or more.

- With an estimated WACC at 6.0%, the Company aims at an ROIC of 9.0%* or more.

(* Target values for FY2028, the final year of the medium-term management plan)

Policy shareholdings are reconsidered once in every fiscal year light of their necessity for such purposes as growth investment and business collaboration. The Company will continue its efforts to reduce them.

Information about this topic is disclosed as follows.

- NIPPON SIGNAL REPORT 2024 https://www.signal.co.jp/ir/library/

- Press release on May 22, 2024

"Notice about the establishment of medium-term management plan 'Realize-EV100' and 'Actions to realize management with the capital cost and the stock price in mind'"

https://www.signal.co.jp/wordpress/wp-content/uploads/2024/05/Realize-EV100.pdf (Japanese version)
https://english.signal.co.jp/wordpress/wp-content/uploads/2024/05/2028Realize-EV100.pdf (English version)

2. Capital structure

Percentage of shares owned by foreign nationals	10% or more but less than 20%

[Status of major shareholders] Update

Name	Number of shares owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (trust account)	7,147,400	11.46
Fukoku Mutual Life Insurance Company	4,793,000	7.68
Nippon Signal Group Shareholding Employees' Society	4,093,000	6.56
Nippon Signal Group Shareholding Partners' Society	3,428,900	5.50
Mizuho Bank, Ltd.	2,200,000	3.53
West Japan Railway Company	2,050,200	3.29
GOVERMENT OF NORWAY	1,955,455	3.14
Custody Bank of Japan, Ltd. (trust account)	1,581,900	2.54
MUFG Bank, Ltd.	1,372,774	2.20
Aioi Nissay Dowa Insurance Co., Ltd.	1,214,768	1.95

Controlling shareholders (other than the parent company)	———
Parent company	None

Supplementary explanation Update

- Fukoku Mutual Life Insurance Company also has 730 thousand Company shares in a retirement benefit trust, and the right to direct the exercise of the voting rights is reserved to the Company.
- Treasury shares (5,968,462 shares) are not included in the calculation of the shareholding ratios.

3. Corporate attributes

Stock exchange listing and market segment	Tokyo Stock Exchange, Prime
End of fiscal year	March
Type of business	Electric appliances
Number of employees (consolidated) as of the end of the last business year	1,000 persons or more
Sales (consolidated) for the last business year	10 billion yen or more but less than 100 billion yen
Number of consolidated subsidiaries as of the end of the last business year	10 or more but less than 50

4. Guidelines on the protection of minority shareholders in transactions with a controlling shareholder etc.

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5. Other special circumstances that may have material effects on corporate governance

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II Status of management control organizations and other corporate governance structures regarding business decision making, execution, and supervision

1. Matters regarding the structure of organs and organization management etc.

Form of organization	Company with an audit and supervisory committee

[Matters regarding directors]

Number of directors prescribed in the Articles of Incorporation	11 persons
Director's term of office prescribed in the Articles of Incorporation	One year
Chairperson of the Board of Directors	President
Number of directors	11 persons
Appointment of outside directors	Appointed
Number of outside directors	Five persons
Number of outside directors designated as independent officers	Five persons

Outside directors' relationships with the Company (1)

Name	Attribute	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Yuriko Inoue	Scholar											
Yoshiyuki Murata	From another company								△			
Takashi Tokunaga	Other											
Masako Suzuki	From another company											
Toshihiko Aizawa	From another company											

* **Type of relationship with the Company**
* **"○" indicates that the category applies or recently applied to the director, and "△" indicates that the category applied to him/her in the past.**
* **"●" indicates that the category applies or recently applied to a close relative of the director, and "▲" indicates that the category applied to him/her in the past.**

a Executive of a listed company or its subsidiary company
b Executive or non-executive director of the parent company of a listed company
c Executive of a fellow subsidiary company of a listed company
d Person who mainly does business with a listed company, or its executive
e Main trading partner of a listed company, or its executive
f Consultant, accounting expert, or legal expert who receives a large amount of money or other property from a listed company in addition to remuneration as an officer
g Major shareholder of a listed company (or an executive of that major shareholder if it is a juridical person)
h Executive of a trading partner of a listed company (which does not fall under any of the categories d, e, and f above) (applicable only to the individual at issue)
i Executive of a legal entity that accepts cross-installation of outside officers (applicable only to the individual at issue)
j Executive of a legal entity to which a listed company makes a donation (applicable only to the individual at issue)
k Other

Outside directors' relationships with the Company (2)

Name	Audit and Supervisory Committee member	Independent officer	Supplementary explanation about the applicable category	Reasons for selection
Yuriko Inoue		○	Ms. Yuriko Inoue is a professor at Business Law Department of Hitotsubashi University Graduate School of Law and an outside director of Dai-ichi Life Holdings, Inc. There are no special interests between Ms. Yuriko Inoue and the Company.	(Reasons for selection as an outside director) Ms. Yuriko Inoue is an intellectual property specialist and has high standards of specialist knowledge and experience. The Company expects that she can use her specialist knowledge to give advice on the Company's management and strategies, including corporate legal affairs and data governance, and exercise effective supervision over its management. For these reasons, she was selected as an outside director. (Reasons for designation as an independent officer) The Company designated her as an independent officer because the Company judged that none of the categories a through k above applies and no conflict of interest appears likely to arise with general shareholders.
Yoshiyuki Murata		○	Taisei Corporation, in which Mr. Yoshiyuki Murata served as Representative Director and Vice Chairperson, has a capital tie with the Company. However, the percentage of acquired voting rights is less than 10% and the transaction amount is negligibly small (it accounts for less than 0.1% of the consolidated sales of either); therefore, the Company judged that no conflict of interest appears likely to arise with general shareholders and designated him as an independent officer. He resigned as the corporation's Representative Director and Vice Chairperson on June 25, 2021.	(Reasons for selection as an outside director) Mr. Yoshiyuki Murata has extensive experience, accomplishments, and knowledge as a company manager. The Company expects that he can use these qualities to exercise effective supervision over its management. For these reasons, he was selected as an outside director. (Reasons for designation as an independent officer) The Company designated him as an independent officer because he is independent of the Company's management executives and the Company judged that no conflict of interest appears likely to arise with general shareholders.
Takashi Tokunaga	○	○	There are no special interests between Mr. Takashi Tokunaga and the Company.	(Reasons for selection as an outside director) Mr. Takashi Tokunaga has specialist knowledge and broad insight about risk management. The Company selected him as an outside director on the Audit and Supervisory Board because the Company judged that it can receive significant advice and opinions about its business activities. The Company expects that he can use his qualities to audit and give advice on the Company's management. (Reasons for designation as an independent officer) The Company designated him as an independent officer because the Company judged that none of the categories a through k above applies and no conflict of interest appears likely to arise with general shareholders.
Masako Suzuki	○	○	Ms. Masako Suzuki is an outside director of JAPAN POST INSURANCE Co., Ltd., and an outside auditor of Unite and Grow Inc. There are no special interests between Ms. Masako Suzuki and the Company.	(Reasons for selection as an outside director) Ms. Masako Suzuki has extensive experience, accomplishments, and knowledge about the utilization of human resources and the management of health support service businesses. The Company selected her as an outside director on the Audit and Supervisory Board, expecting that she can use her experience and insight acquired through her career as a business management specialist to audit and give advice on the Company's management. (Reasons for designation as an independent officer) The Company designated her as an independent officer because the Company judged that none of the categories a through k above applies and no conflict of interest appears likely to arise with general shareholders.

Name	Audit and Supervisory Committee member	Independent officer	Supplementary explanation about the applicable category	Reasons for selection
Toshihiko Aizawa	○	○	Mr. Toshihiko Aizawa is the representative director of Tsunagu Partners KK, a professor at Graduate School of Management, GLOBIS University, and the representative director of Quantum Leap Food Innovation KK. There are no special interests between Mr. Toshihiko Aizawa and the Company.	(Reasons for selection as an outside director) Mr. Toshihiko Aizawa has extensive experience, accomplishments, and knowledge as a business manager, management consultant, and professor at a graduate school of management. The Company selected him as an outside director on the Audit and Supervisory Board, expecting that he can use his knowledge to give advice on management strategy development, corporate structure reforms, digital transformation, new business creation, etc. and exercise effective supervision over its management. (Reasons for designation as an independent officer) The Company designated him as an independent officer because the Company judged that none of the categories a through k above applies and no conflict of interest appears likely to arise with general shareholders.

[Audit and Supervisory Committee]

Membership composition and chairperson's attributes

	Total number of members	Number of full-time members	Number of inside directors	Number of outside directors	Chairperson
Audit and Supervisory Committee	4	2	1	3	Inside director

Appointment of directors and employees assigned to assist the Audit and Supervisory Committee with its duties	Appointed

Matters regarding the independence of such directors and employees from executive directors

The appointment and transfer of employees assigned to assist the Audit and Supervisory Committee with its duties will be carried out with due attention paid to its purpose and based on the committee's opinion.

Cooperation among the Audit and Supervisory Committee, the accounting auditor, and the internal audit department

They discuss audit plans and policies in advance, and meet at regular intervals to receive reports on the status of audits and exchange opinions.

[Voluntary committees]

Establishment of a voluntary committee equivalent to a nomination or remuneration committee	Established

Establishment of voluntary committees, their membership structures, and attributes of their chairpersons

	Name of committee	Total number of members	Number of full-time members	Number of inside directors	Number of outside directors	Number of outside experts	Others	Chairperson
Voluntary committee equivalent to nomination committee	Appointment and Remuneration Committee	3	0	1	2	0	0	Inside director
Voluntary committee equivalent to remuneration committee	Appointment and Remuneration Committee	3	0	1	2	0	0	Inside director

Supplementary explanation

The Company established the Appointment and Remuneration Committee as an advisory body for the Board of Directors. It is chaired by the representative director and a majority of its members are independent outside directors. Matters regarding the nomination of and remuneration to officers are required to be decided by the Board of Directors after consultation with the committee in order to enhance the objectivity and transparency of the decision-making process.

Based on the Board of Directors' request for advice, the Appointment and Remuneration Committee gives advice, suggestions, and recommendations about basic policies on the nomination of and remuneration to representative directors, directors, and executive officers with titles. The committee has three members in total, including Hidehiko Tsukamoto, President, CEO, COO, who serves as the committee chairperson, and Outside Directors Yuriko Inoue and Yoshiyuki Murata.

[Matters regarding independent officers]

Number of independent officers	Five persons

Other matters regarding independent officers

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[Matters regarding incentives]

Status of plans granting incentives to directors	A performance-based remuneration program has been introduced.

Supplementary explanations about applicable items

Remuneration to directors (other than those who are concurrently on the Audit and Supervisory Committee) consists of fixed remuneration, which is determined separately for each position, and performance-based remuneration, which is linked to medium/long-term and short-term business results, so that the remuneration will work as a sound incentive to enhance corporate value over a medium-to-long term and achieve short-term business targets. As a basic policy, it is ensured that each individual director's remuneration will be reasonable in light of his/her job responsibilities.

Performance-based remuneration consists of two elements linked to medium/long-term and short-term business results. Medium/long-term performance-based remuneration is determined separately for each individual every year in light of his/her goal attainment level.

Short-term performance-based remuneration is indexed to the consolidated ordinary profit of the current period. A total of 2.0% to 2.5% of the profit is paid to directors (other than those who are concurrently on the Audit and Supervisory Committee) and executive officers.

Performance-based remuneration is not paid to outside directors.

Conscious of linkage to shareholder value (stock price), directors (other than those who are concurrently on the Audit and Supervisory Committee) and executive officers use a fixed part of their monthly remuneration every month to purchase Company shares on a continuous basis. To be specific, they purchase shares through the shareholding officers' society so as to avoid insider trading risk. Therefore, there is no share-based remuneration program now.

Persons eligible for stock options	

Supplementary explanations about applicable items

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[Matters regarding remuneration to directors]

Disclosure (of remuneration to individual directors)	Each individual director's remuneration is not disclosed.

Supplementary explanations about applicable items

The total amount of remuneration and the like paid to nine directors (other than those who are concurrently on the Audit and Supervisory Committee) in the year ended in March 2024 is 293 million yen (including 21 million yen to outside directors). Performance-based remuneration is not paid to outside directors.

Policy for determining the amount of remuneration or its calculation method	Established

Disclosure of the policy for determining the amount of remuneration or its calculation method

Remuneration to directors (other than those who are concurrently on the Audit and Supervisory Committee) consists of fixed remuneration, which is determined separately for each position, and performance-based remuneration, which is linked to medium/long-term and short-term business results, so that the remuneration will work as a sound incentive to enhance corporate value over a medium-to-long term and achieve short-term business targets. It is ensured that each individual director's remuneration will be reasonable in light of his/her job responsibilities. Subject to the maximum amount specified with a resolution of a shareholders meeting, their remuneration is paid pursuant to a policy approved by the Board of Directors after consultation with the Appointment and Remuneration Committee, based on the opinions of the Audit and Supervisory Committee members.

1. Matters regarding the remuneration structure

Fixed remuneration is determined separately for each position in light of the job details, the maximum salary that may be paid to employees, other companies' payment standards, and the like. Performance-based remuneration consists of two elements linked to medium/long-term and short-term business results.

Medium/long-term performance-based remuneration is determined separately for each individual director (other than those who are concurrently on the Audit and Supervisory Committee) every year in light of his/her medium/long-term goal attainment level. Short-term performance-based remuneration is indexed to the consolidated ordinary profit of the current period. A total of 2.0% to 2.5% of the profit is paid to directors (other than those who are concurrently on the Audit and Supervisory Committee) and executive officers. The reason for selecting consolidated ordinary profit as the business results indicator is that one of the Company Group's medium/long-term issues is profitability improvement and its medium-term management plan also sets targets for consolidated ordinary profit.

The actual consolidated ordinary profit of the previous consolidated fiscal year was 7,893 million yen where the target was 6,800 million yen. Given their supervisory functions, outside directors are paid only fixed remuneration. Performance-based remuneration is not paid to them.

There is no share-based remuneration program now because each officer purchases a certain amount of Company shares every month through the shareholding officers' society and manages with the shareholders' viewpoint in mind.

2. Matters regarding the delegation of the authority to determine remuneration etc. to each director (other than those who are concurrently on the Audit and Supervisory Committee)

In the current period, the Board of Directors resolved at its June 21, 2024 meeting to delegate the authority to determine the amount of remuneration to each director (other than those who are concurrently on the Audit and Supervisory Committee) to Hidehiko Tsukamoto, President, CEO, COO, and he determined the details of the remuneration. The delegated authority is to determine the amount of fixed remuneration to each director (other than those who are concurrently on the Audit and Supervisory Committee) and evaluate each director's management goal attainment level as a factor of performance-based remuneration. The reason for delegating these authorities is that the representative director is in a suitable position to perform the evaluation with a whole picture of the Company's overall business results.

Furthermore, in order to make the decision-making process more objective and transparent and thereby ensure that those authorities will be properly exercised by the representative director, the Board of Directors consults the Appointment and Remuneration Committee, an advisory body for the board that gives advice on the establishment, revision, and abolition of basic policies on officers' remuneration and the like. The Appointment and Remuneration Committee consists of at least three directors and is chaired by the representative director. A majority of its members is required to be independent outside directors so that its decisions will be objective and proper.

[Support for outside directors]

They receive the same support as inside directors (other than those who are concurrently on the Audit and Supervisory Committee), including the distribution of reference documents.

[State of former presidents and the like]

Names of counselors, advisors, etc. who previously served as presidents or the like

Name	Title/position	Job description	Work style, working conditions (full-time or not, paid or not, etc.)	Date of resignation as president etc.	Term of office
Yohei Furuhata	Advisor	Give advice etc. on specific operations at the President's request	Part-time, paid	June 24, 2022	Not specified.

Total number of counselors, advisors, etc. who previously served as presidents or the like	One person

Other matters

The day when Mr. Yohei Furuhata resigned as the President is the same as the day when he resigned as the Chairperson of the Board of Directors.

2. Matters regarding business execution, auditing and supervision, nomination, determination of remuneration, and other functions (an overview of the current corporate governance structure)

With a resolution of the 140th annual shareholders meeting on June 23, 2023, the Company changed from a company with a board of company auditors into a company with an audit and supervisory committee, a majority of the members of which are outside directors. The Company aims to strengthen the monitoring function of the Board of Directors for more transparent management practices, and further upgrade its corporate governance and enhance its corporate value.

In addition, the Company has an executive officer system in order to ensure prompt and efficient management decision making and agility in business execution, and also has the Group Business Planning Committee in order to strengthen governance in group management. Executive officers form the Committee of Directors, discuss and give status reports on business execution pursuant to medium-term and short-term management plans, and fulfill their job duties under delegated authority. There is also an "advisory board" to the representative director, which is composed of outside specialists who have high standards of specialist knowledge about business management.

- Board of Directors

The Board of Directors meets regularly once a month and may meet on an extraordinary basis whenever necessary.

45% of the 11 directors, or five directors, are outside directors, and they are also independent officers as defined by the Tokyo Stock Exchange. Important corporate matters are decided through two types of approval procedures, that is, "round-robin approval" and "resolution of the Board of Directors," in accordance with board-established standards regarding the submission of certain matters for approval.

- Audit and Supervisory Committee

The Audit and Supervisory Committee meets regularly once a month and may meet on an extraordinary basis whenever necessary.

Three of the four directors on the Audit and Supervisory Committee are outside directors, and they are also independent officers as defined by the Tokyo Stock Exchange.

- Appointment and Remuneration Committee

In order to improve the quality of discussions about the nomination of officers and remuneration to them and enhance the objectivity and transparency of the decision-making process, the Company has the Appointment and Remuneration Committee as an advisory body for the Board of Directors. A majority of its members are independent outside directors.

The Company has the following standards for judging independence from the Company for the purpose of selecting outside directors.

"Standards regarding the independence of outside officers"

In order to objectively judge the independence of outside officers, the Company establishes standards regarding their independence as follows. Outside officers who fall under any of the items below will be deemed not to be fully independent of the Company.

Outside officers designated as independent officers pursuant to the rules of the Tokyo Stock Exchange will endeavor to maintain their independence as specified in these standards until their retirement from office, and if they come to lose their independence, they will give notice to the Company in advance (or promptly after the fact if advance notification is not possible).

1. Person who is, or was at any time in the past 10 years, an executive (*1) or non-executive director of the Company Group (this term refers to the Company or any of its subsidiaries)
2. Person who fell under any of (1) through (8) below at any time in the past three years

(1) Person for whom the Company Group is a major trading partner (*2), or its executive

(2) Person who is a major trading partner of the Company Group (*3), or its executive

(3) Consultant, accounting specialist, or legal specialist who receives a large amount of money (*4) or other property from the Company Group in addition to remuneration as an officer (if the person receiving such property is a juridical person, association, or other organization, then, a person who belongs to such organization)

(4) Present major shareholder (*5) of the Company Group, or its executive

(5) Executive of a juridical person whose present major shareholders (*5) include the Company Group

(6) Person who belongs to an auditing corporation that conducts statutory audits at the Company Group

(7) Executive of an entity that actually accepts cross-installation of outside officers

(8) Person who receives, or a director or other executive of a juridical person, association or other organization that receives, a large amount of contribution or financial support (*6) from the Company Group

3. The close relatives (spouse or relatives within the second degree of kinship) of a person falling under (1) and (2) above who is considered to be important (*7)
4. Person whose total years in office exceed eight years

(*1) "Executive" refers to directors (other than outside directors), executive officers, and employees, and other persons who execute the business.

(*2) "Person for whom the Company Group is a major trading partner" refers to a person whose transactions with the Company Group in any of the last three business years accounted for more than 2% of that person's consolidated sales. If such major trading partner is a juridical person, its parent company or important subsidiaries are included.

(*3) "Person who is a major trading partner of the Company Group" refers to a person whose transactions with the Company Group in any of the last three business years accounted for more than 2% of the Company Group's consolidated sales, or who is a lender to the Company Group of amounts greater than or equal to 2% of the Company's consolidated total assets as of the end of the last business year. If such major trading partner is a juridical person, its parent company or important subsidiaries are included.

(*4) "Large amount of money" refers to more than 10 million yen per year as the average for the last three business years.

(*5) "Major shareholder" refers to a person who directly or indirectly owns 10% or more of all voting rights, and if such major shareholder is a juridical person, its parent company or important subsidiaries are included.

(*6) "Large amount of contribution or financial support" refers to more than 10 million yen per year as the average for the last three business years.

(*7) "Important person" refers to a director, executive manager, executive officer or executive at or above the department manager level, or executive who has similar authorities.

3. Rationale for the current corporate governance structure

The governance structure described above has been adopted because the Company needs to ensure the legality and validity of business execution while placing emphasis on swiftness in decision making and agility in business execution.

III Status of measures regarding shareholders and other stakeholders

1. Initiatives to invigorate the shareholders meeting and ensure smooth exercise of voting rights

	Supplementary explanation
Early delivery of notice of a shareholders meeting	The notice of the 141st annual shareholders meeting (held on June 21, 2024) was sent out approximately three weeks before the meeting date. Online disclosure was made approximately four weeks before the meeting date. The Company will remain committed to early delivery of convocation notices and early online disclosure.
Avoidance of the commonest date for meeting	The commonest date is avoided so that as many shareholders as possible can be present.
Exercise of voting rights by electronic or magnetic means	The exercise of voting rights by electronic or magnetic means has been accepted since the 132nd annual shareholders meeting (held on June 24, 2015).
Participation in an electronic voting platform, and other initiatives to facilitate the exercise of voting rights by institutional investors	Since the 132nd annual shareholders meeting (held on June 24, 2015), the Company has been an Electronic Voting Platform participant.
Provision of convocation notices (summary) in English	Since the 132nd annual shareholders meeting (held on June 24, 2015), the Company has been providing English translations of the convocation notices and reference documents, in their narrow sense, at its website.
Other	The Company endeavors to facilitate the exercise of voting rights by posting the full text of the convocation notice at its website, and to help shareholders deepen their understanding of the Company by using visual means, such as video presentations of its business activities and results, at the shareholders meeting. The shareholders meeting is broadcasted live, and supplementary reference documents are released at the Company's website before the meeting.

2. Status of IR activities

	Supplementary explanation	Explanation by the representative himself
Periodical briefing sessions for analysts and institutional investors	In addition to year-end and interim financial results briefings, the Company holds management plan briefings when a medium-term management plan is established. The Company accepts individual visits by analysts etc. as appropriate except for certain times of the year, such as immediately before the announcement of financial statements.	Yes
On-line release of IR materials	Annual securities report data and integrated reports for the past 10 years are posted at the Company's website to assist investors.	

Appointment of a department (person) in charge of IR activities	The General Affairs Department (public relations and IR group) acts as a liaison for investors. It also organizes financial results briefings and updates the Company website.

3. Status of initiatives for respecting stakeholders' position

	Supplementary explanation
Internal rules etc. that respect the position of stakeholders	The Nippon Signal Group's philosophy, management policies, and the like state that it will aim to become a company that contributes to society and delivers satisfaction to all its stakeholders.
Implementation of environmental protection and CSR activities etc.	Among "Our Values" under the Nippon Signal Group Philosophy, "Mono-zukuri (manufacturing)" and "Koto-zukuri (business)" are mainly related to contribution to society through products and services, and "Hito-zukuri (education)," "Machi-zukuri (CSR)" and "Michi-zukuri (creation of the future)" are core themes for CSR activities for which specific action programs have been established and pursued. <Basic policy on CSR activities> Our desire is to realize a society in which people around the world are able to live with improved safety and comfort. This aim is defined in the Nippon Signal Group Philosophy known as "Our Mission." Providing valuable products and services to society, and resolving social issues with superior technologies that provide safety and reliability, will lead to the creation of business opportunities and the improvement of corporate value. We appreciate the relationships we enjoy with our stakeholders, and we will take advantage of our involvement in transportation infrastructure as we continuously strive to contribute to society, bringing safety and comfort to people not only in Japan but around the world. The maximum amount of expenditure for these activities is set at 1%, but we will review this amount as our business expands. In the area of environmental preservation, an ISO14001-compliant environmental management system is operated by the Company-wide Environmental Committee, which is chaired by the officer in charge of the TQM Promoting Department and consists of five production sites, in order to maintain the fusion of environmental preservation activities and environmental sustainability management. In FY2022, four production companies in the Group joined the committee in order to accelerate decarbonization. In order to "provide eco-friendly products and services," the Company reduces environmental impact as early as the development phase and carry out continuous improvement through the PDCA cycle, striving to become a company of sustainable growth. In 2019, the Company opened a "forest of Nippon Signal" in Tochigi Prefecture, where its Utsunomiya Plant is located, and since then the Company has been conducting forest development activities. These activities are disclosed in detail in the integrated report posted at the Company's website. (https://www.signal.co.jp/ir/annualreport/)
Other	In light of social trends, including a social structure shift toward a smaller working population, and support for women's participation and diversity, the Company's management strategies include the following policy for facilitating the engagement of women so as to add to the Company's vitality and growth. (1) With a view to promoting reform based on new viewpoints and ideas, and adding vitality to the workplace, promote initiatives for "the promotion of women's engagement" and "women's participation in the decision-making process" vigorously and systematically as part of human resources strategies, with specific milestones set. (2) Provide women, including those in the management layer, with more opportunities not limited to certain departments, though the characteristics of the "manufacturing" industry need to be taken into consideration. (3) By paying attention to data on women in the Company (such as distribution by position and age, and years of service), implement both short-term practical initiatives and medium/long-term forward-looking initiatives. (4) Promote activities for changing ideas and raising awareness about the promotion and engagement of women among all employees, both male and female, including management executives and supervisors. (5) For the promotion of health and productivity management, the top management established a health management declaration in order to make a clear written statement of the Company's policy on the maintenance and promotion of employees' health, and ensure commitment by the entire company. The Company organized a new group within the human resources department to promote health and productivity management. In cooperation with each site, the health insurance society, and group companies, it will maintain and promote the health of all employees and their families through "health investment" in the entire Company Group pursuant to its management philosophy.

IV Matters regarding internal control systems etc.

1. Basic approach to internal control systems and status of their control design

1. Systems for ensuring that the execution of duties by directors and employees conforms to the laws and regulations and the Articles of Incorporation
   (1) The Board of Directors will make corporate decisions on the basic matters regarding business execution that are specified in the Rules of the Board of Directors, in addition to the matters specified by the laws and regulations or the Articles of Incorporation, and supervise the execution of duties by directors and executive officers.
   (2) The Company will have two or more outside directors at any time in order to maintain and strengthen supervision over the execution of duties by directors.
   (3) The Company will establish a system for proper and efficient decision making by establishing the "Committee of Directors" as an organ to discuss and give status reports on business execution pursuant to medium-term and short-term management plans.
   (4) Each Audit and Supervisory Committee member will deliver his/her opinions at Board of Directors meetings, as appropriate, working under audit systems coordinated with the internal audit department and the accounting auditor, and exercise check on corporate decisions together with outside directors who are not on the Audit and Supervisory Committee.
   (5) Full-time Audit and Supervisory Committee members will periodically hold liaison meetings with the managers of administrative and operating departments and carry out audits to check up on business execution in detail.
   (6) Compliance with the laws and regulations is a "basis of trustworthiness." All Company officers and employees will receive strict ethics education based on the "Nippon Signal Group Philosophy."
   (7) The Company will compile important points about compliance with the laws and regulations into a "compliance manual" and distribute it to all employees, and provide periodical education and training to instill compliance knowledge in and raise compliance awareness among the employees.

2. Systems related to the retention and management of information regarding the execution of duties by directors
   (1) In order to ensure that records related to the execution of duties by directors will be retained properly without fail, the Company will introduce record retention systems that minimize the risk of loss etc. to the extent possible.
   (2) The Company will provide greater security for the minutes of meetings of the Board of Directors, the Audit and Supervisory Committee and the Committee of Directors, round-robin approval documents, and other important documents related to the execution of duties by directors by recording them in written instruments or electronic or magnetic media and restricting access to them, and strive to retain information about these documents.

3. Rules and other systems regarding loss risk management
   (1) In order to minimize damage to the Company Group's management resources and maintain its continuous growth, the Company will establish risk management rules for accurate identification, analysis and evaluation, and proper management of risks.
   (2) The Company will establish a risk management committee as an organization which is chaired by the representative director, reports directly to the Board of Directors, and supervises risk management for the Company Group.
   (3) The Risk Management Committee will periodically instruct group companies and all internal departments to identify, analyze and evaluate risks, and will address material risks expected to emerge in a medium/long term by organizing response meetings etc. as per the committee chairperson's instruction. It will also secure budgetary appropriations if necessary.

4. Systems for ensuring that the duties of directors will be executed efficiently
   (1) The Company will introduce an executive officer system as it believes that separating "management decision making" from "business execution" makes it possible to increase the speed and efficiency of management decision making and ensure agility in business execution. Executive officers will form the Committee of Directors, report their own business execution, and check on the progress and appropriateness of business execution by other executive officers. Executive officers with titles will attend Board of Directors meetings, and deliver their opinions or report important matters regarding business execution if necessary.
   (2) The representative director will establish an "advisory board" for himself which is composed of outside personnel who have high standards of specialist knowledge about business management, and will request it to analyze business activities and give advice on risk management from an objective perspective.
   (3) The Company will establish rules of authority, procedures for round-robin approval, and the like to define the roles and responsibilities of each department and each employee. However, with regard to themes affecting the entire company, the Company will address issues required by management by proactively developing committee and project team activities and making cross-sectional examinations.
   (4) The Company will strengthen the planning function of administrative departments so that the duties of directors will be executed promptly and efficiently.

5. Systems for ensuring the proper conduct of business by the enterprise group composed of the Company and its subsidiaries
   (1) In order to enhance its corporate value and contribute to the international and local communities, the Company will establish the "Nippon Signal Group Philosophy," which will govern all group companies.
   (2) In order to ensure the proper conduct of business by its group and achieve synergy effects, the Company will take the lead in determining the course of action for the Company Group and checking on the proper conduct of business by the entire group.
   (3) Departments in charge will receive reports on the status of each subsidiary's management and the details of its business execution on a routine basis. Officers will be sent to the subsidiaries to make sure that they are managed properly.
   (4) The Company will call the Group Business Planning Committee into session once in every quarter which will be attended by the representative directors of the subsidiaries, in order to receive reports and give necessary guidance about business management, business results, and risk management systems across the Company Group.
   (5) The Company will provide whistle-blowers' contact points (compliance hot lines) inside and outside the Company that may be used by whistle-blowers as they wish. In so doing, the Company will be aware of the progress of diversity and the diversification of work styles, and ensure that whistle-blowers will not receive disadvantageous treatment.
   (6) The outside contact point for whistle-blowers will have an outside lawyer independent of the Company's business management and will be made accessible to the subsidiaries, too, so that violations of laws and regulations in the group will be detected as soon as possible and sound working environments will be maintained.

6. Matters regarding directors and employees assigned to assist the Supervisory Audit Committee with its duties; matters regarding the independence of such directors and employees from directors (other than those on the Audit and Supervisory Committee)
   (1) The appointment and transfer of employees assigned to assist the Audit and Supervisory Committee with its duties will be carried out with due attention paid to its purpose and based on the committee's opinion.
   (2) No directors will be assigned to assist the Audit and Supervisory Committee with its duties.
   (3) Employees assigned to assist the Audit and Supervisory Committee with its duties will not receive instructions from directors who

are not committee members, but follow the orders from the committee, with regard to the committee's duties.

7. Systems that enable the directors and employees etc. of the Company and group companies to report to the Company's Audit and Supervisory Committee, and other systems regarding reporting to the Company's Audit and Supervisory Committee
(1) The directors, employees, etc. of the Company and group companies will promptly report matters that have a material impact on the Company and group companies, such as violations of laws, to the Audit and Supervisory Committee.
(2) The directors, employees, etc. of the Company and group companies will cooperate with the Audit and Supervisory Committee in the execution of its duties, give work reports at Board of Directors meetings and other important meetings or by providing reference documents therefor, and otherwise exchange opinions as appropriate.
(3) Directors will ensure that persons giving reports to the Audit and Supervisory Committee will not receive disadvantageous treatment on the ground of such reporting.

8. Policy on the processing of expenses etc. incurred in the execution of duties by the Audit and Supervisory Committee

Expenses etc. incurred in the execution of duties by the Audit and Supervisory Committee will be processed promptly after the claims from the Audit and Supervisory Committee members are reviewed by the department in charge.

9. Other systems for ensuring that audits by the Audit and Supervisory Committee will be carried out effectively
(1) The representative director will have periodical meetings with the Audit and Supervisory Committee to exchange opinions about issues to be addressed by the Company, issues with auditing by the committee, and the like.
(2) Audit and Supervisory Committee members may attend and, if necessary, express their opinions at, statutory assemblies and important meetings, such as the Committee of Directors, the Risk Management Committee, and the Group Business Planning Committee.
(3) Audit and Supervisory Committee members will also attend meetings to present work quality improvement by employees, and other meetings intended to raise motivation to pursue work process innovation and enhance corporate value so that their auditing will be more effective.

2. Basic approach to the exclusion of anti-social forces, and status of systems for this purpose

In the interest of social justice, the Company Group will not have any relationships with anti-social forces, whether directly or indirectly. If the Company receives any unreasonable demand from an anti-social force, the Company will reject it firmly. In so doing, the Company will work with the police and other relevant administrative agencies, and lawyers or other legal experts as appropriate.

The code of conduct under the Nippon Signal Group Philosophy clearly states that the group will exclude anti-social forces, and it is put into practice by all officers and employees in day-to-day corporate activities. The Company also has strengthened cooperation with the local police department and business enterprises, and strives to collect information by periodically participating in seminars etc.

Organized crime exclusion ordinances were enacted in all of the country's 47 prefectures by October 1, 2011, when they were enacted in the last two, Tokyo and Okinawa Prefecture. Occasioned by this, the Company has been encouraging all of its trading partners who are doing business with the Company on a continuing basis to sign agreements containing anti-social force exclusion clauses in order to further highlight our determination to exclude all anti-social forces.

V Others

1. Introduction of anti-takeover measures

Introduction of anti-takeover measures	**Introduced**

Supplementary explanations about applicable items

1. The details of the basic policy

The Company thinks that decisions regarding M&A proposals involving the transfer of control over the Company should be ultimately made by shareholders at their free will. Similarly, the Company does not readily object to an attempt to purchase a large number of Company shares so long as it contributes to the Company's corporate value and ultimately to its shareholders' common interest.

However, Japan's capital market has recently seen a number of bulk purchasing or similar attempts made unilaterally and forcibly without the effort to discuss and agree on it with the management team of the target company. Not a few of such attempts do not contribute either to the target company's' corporate value or the common interest of its shareholders because it is obvious from the objectives or otherwise that the corporate value and the common interest of the shareholders will be damaged; the shareholders may virtually be compelled to sell off their shares; the time and information provided is not enough for the target company's board of directors and shareholders to examine the bulk purchasing in detail or for the board of directors to propose alternative solutions; or the target company needs to have discussions or negotiations with the acquirer to bring about more favorable terms than those offered by the acquirer.

In connection with this, the Company thinks that persons who control its financial and business policy decisions must fully understand the Nippon Signal Group Philosophy "We help realize a more secure and comfortable society through superior technologies that provide safety and reliability" and the sources of its corporate value and its shareholders' common interest as set forth below, maintain trusting relationships with the stakeholders, including customers, shareholders, partner companies, local communities and employees, try to meet these stakeholders' expectations, and maintain and increase the Company's corporate value and its shareholders' common interest from a medium/long-term perspective.

Therefore, persons who attempt bulk purchasing which does not contribute to the Company's corporate value and its shareholders' common interest are not appropriate as the ones who control the Company's financial and business policy decisions. It is the Company's basic policy to take necessary and reasonable countermeasures against bulk purchasing attempts by such persons in order to secure the Company's corporate value and its shareholders' common interest.

2. Special initiatives that will help carry out the basic policy

(1) Company Group's management philosophy and basic policy on business operation

Since its foundation in February 1929, the Company has been consistently involved in the area of transport infrastructure. With the Nippon Signal Group Philosophy "We help realize a more secure and comfortable society through superior technologies that provide safety and reliability," the Company attained its 95th anniversary in February 2024.

Thus, the Company always has great social responsibility and public missions as a company which has long provided society with products in the business area of a highly public nature. The Company thinks that this makes it absolutely necessary for the Company to not only control the quality of its products with advanced special skills and strict ethics education and develop new products that support more secure and

comfortable transport infrastructure, but also base its business operation on a long-term perspective and full awareness that it is making life-critical products.

In the meantime, the Company thinks that it needs to aggressively challenge itself for the creation of new businesses using its accumulated core technologies and know-how as a company specializing in railway signals and road traffic signal systems, and maintain its commitment to sustainable growth. Good examples of success are station service automation systems and parking system solutions, both of which have grown to be financial pillars for the Company. Recent cases of success include "3D ranging image sensors" using "ECO SCAN," a resonant mirror realized by fine processing technology. Because of their strong resistance to disturbance light, they are used in various areas such as the platform door, construction machines and automatic driving, leading to the growth of new businesses.

Presented below is a summary of the Company's businesses.

The Company is engaged in life-critical businesses of a highly public nature, such as railway signals and road traffic signals. There is great demand around the world for Japanese-made high-quality infrastructure, and the Company has a large number of important technologies.

In the future, the Company will realize comfortable transportation infrastructure for society by providing advanced solutions utilizing AI and digital processing based on data acquired with sensing technologies.

[Transportation infrastructure business]

The Company's core products in the "railway signal" sector are "traffic control systems" such as CTC (centralized traffic control) devices, "train control devices" such as ATC (automatic train control) devices, ATS (automatic train stop) devices, ATO (automatic train operating) devices and SPARCS (Simple-structure and high-Performance ATC by Radio Communication System), "interlocking devices" which control switches and signal lights, and "passenger information display systems." These products support Japan's railways, which have a reputation for steady and safe operation on packed train schedules. The Company also supports infrastructure export, especially to Asia.

The Company's core products in the "smart mobility" sector are "traffic control systems," which control road traffic signals, and "road traffic information systems," which display information about accidents, congestion, and traffic. With these, the Company is working toward reducing traffic accidents and easing traffic congestion. The Company also participates in demonstration experiments on automatic operation to develop solutions utilizing its strengths as an infrastructure manufacturer.

[ICT solution business]

In the "AFC" sector, the Company automates and facilitates station services with "station service network systems," which cover automatic ticket gates, automatic ticket vending machines and automatic fare adjustment machines, and contributes to smooth movement with Suica, PASMO, and other IC cards. The Company is also operating in aviation and overseas markets, and provides solutions based on radio individual identification technologies and increases the safety of station platforms with platform screen doors etc.

In the "R&S" sector, the Company provides 3D ranging image sensors for installation on platform screen doors and construction and agricultural equipment, and solutions for high security requirements at event sites and airports. The Company also offers robots that embody state-of-the-art robotics technologies as integrated with the Company's core technologies, such as sensors and image analysis, which are designed to reduce human labor and improve work efficiency.

(2) Sources of the Company's corporate value and shareholders' common interest

The Company thinks that its corporate value and its shareholders' common interest come from (i) its "engineering capabilities and quality performance," with which it has long supported secure and comfortable transport infrastructure, (ii) its "people," who have a strong sense of pride and mission as the ones engaged in work of a highly public nature, and (iii) its "ability to develop" new products by applying core technologies and know-how developed through railway signals and road traffic signal systems.

The Company's specific initiatives to improve the sources of its corporate value and its shareholders' common interest include the following, among others.

<1> The Company continuously reappraises its business operation and production systems and group structures, expedite the management decision-making processes, and improve work quality in order to raise its competitive position in the market and further increase customer satisfaction.

<2> As well as trying to hire brilliant personnel, the Company established and operates human resources development systems for motivation and skill improvement.

<3> Two separate systems for technology development and market development work together in the promotion of research and development so that it will be enhanced further.

(3) Initiatives to improve corporate value and shareholders' common interest by specific measures based on management plans

The Company started a new long-term management plan in FY2019. We have entered a revolutionary age characterized by digital disruption (destructive innovation with digital technology) leading to shakeouts in existing industries. In the long-term management plan, the Company aims to adopt new business models that are not mere extensions of the existing ones, resolve social issues worldwide by supporting the evolution of infrastructure with safe and comfortable solutions, and become an enterprise group needed by people all across the globe. In order to carry out the long-term management plan, the Company started a new medium-term management plan "Realize-EV100" in FY2024 for which the target year is the Company's 100th anniversary, 2028. The Company will accelerate the social implementation of DX-based new businesses and merchandise, expand decarbonization solutions and overseas businesses, and enhance the efficiency of its manufacturing. Furthermore, the Company will be committed to improving ROE and ROIC in order to realize management with the capital cost and the stock price in mind.

3. Initiatives to prevent the Company's financial and business policy decisions from being controlled by those who are inappropriate in light of the basic policy

With a view to maintaining and enhancing the Company's corporate value and its shareholders' common interest, the 139th annual shareholders meeting on June 24, 2022 passed a resolution to introduce (renew) countermeasures against attempts to acquire a large number of Company shares (anti-takeover measures) ("Plan"). The Plan applies to the purchasing of share certificates etc. issued by the Company or other similar conduct or offers thereof which give, or are intended to give, 20% or more of the voting rights to a certain group of shareholders (such conduct which the Company's Board of Directors considers to be amicable is excluded, and it does not matter whether the purchasing takes place by means of on-market or off-market dealing, tender offers, or otherwise; hereinafter in the Plan, such conduct will be referred to as "Purchasing" and the person who attempts such Purchasing as the "Purchaser"), and specifies procedures for requiring the Purchaser to provide information about the Purchasing in advance, securing the time to collect information about the Purchasing and examine it, presenting the Company management's plans and alternative solutions etc. to the shareholders, and conducting negotiations etc. with the Purchaser.

The Purchaser is required to comply with the procedures specified in the Plan and not to proceed with the Purchasing until the Company's Board of Directors passes a resolution for or against the allotment of the Share Options without contribution after the procedures specified in the Plan are commenced.

If the Purchaser conducts the Purchasing without following the procedures specified in the Plan or it is otherwise considered that the Company's corporate value and its shareholders' common interest may possibly be damaged, the Company will allot share options ("Share Options") to all of its then existing shareholders without demanding contribution, subject to the condition that the exercise of rights by the Purchaser and the Purchaser's certain group of shareholders ("Purchaser etc.") is not permitted and subject to the provision that the Company will acquire the Share Options from persons other than the Purchaser etc. in exchange for Company shares.

According to the Plan, the Company will, in principle, follow the decisions which an independent committee composed solely of persons who have specialist knowledge about business management etc. and are independent of the Company's management renders as recommendations pursuant to the independent committee rules in order to exclude any arbitrary judgments by directors about the approval/disapproval of the

allotment of the Share Options without contribution and about the acquisition thereof. Transparency will be secured further by means of timely information disclosure to the shareholders. Currently, the independent committee is composed only of highly independent outside officers.

The Plan is effective until the end of the annual shareholders meeting for the business year ending on the last day of March 2025. However, even before the expiration of the effective period, the Plan and the delegation of authority under the Plan will be abolished or revoked if and when a resolution to abolish the Plan is passed by the Company's shareholders meeting or Board of Directors.

The descriptions above are an overview. For the details of the Plan, please see the Company's press release on May 10, 2022 "Re: Proposal to the shareholders meeting related to the renewal of our countermeasures against attempts to acquire a large number of our shares (anti-takeover measures)," which can be found on the following page of the Company's website.

(Company website https://www.signal.co.jp/ir/)

4. Company Board of Directors' judgments about the initiatives above, and the reasons for their judgments

The initiatives in 2 above are specifically intended to secure and improve the Company's corporate value and its shareholders' common interest, and contribute toward carrying out the basic policy. Therefore, these initiatives are consistent with the basic policy set forth in 1 above, are not detrimental to shareholders' common interest, and are not intended to maintain Company officers' status.

Similarly, as described in 3 above, the Plan was introduced to secure and improve the Company's corporate value and its shareholders' common interest, so it is consistent with the basic policy set forth in 1 above. The Plan completely meets the three principles specified in the "Guideline on anti-takeover measures for securing or improving corporate value and shareholders' common interest" established by the Ministry of Economy, Trade and Industry and the Ministry of Justice (published on May 27, 2005). It is also consistent with what is recommended in a report by the Corporate Value Workshop of the Ministry of Economy, Trade and Industry "Desirable anti-takeover measures in light of the recent environmental changes" (published on June 30, 2008). Its content is also designed to secure the objectivity and reasonableness of judgments by the Company's Board of Directors. Therefore, these initiatives are not detrimental to shareholders' common interest, nor are they intended to maintain Company officers' status.

2. Other matters regarding corporate governance structures etc.

The status of the Company's internal structure regarding the timely disclosure of Company information is as follows.

- At the Company, the Finance Department or the General Affairs Department is in charge of procedures for disclosing financial summaries, financial data revisions and other matters regarding financial closing, and matters regarding dividends, etc.
  (1) Facts about decisions: With regard to facts about decisions by the Board of Directors, the Board of Directors will evaluate the necessity of disclosing them, and the information handling manager will instruct the General Affairs Department or the Finance Department to communicate and disclose the information.
  (2) Facts about occurrences: Facts about occurrences confirmed by each department are immediately reported to the President through the officer in charge. The President will evaluate the necessity of disclosing them, and instruct each department in charge of disclosure through the information handling manager to communicate and disclose the information.
  (3) Financial results information: Financial results information is disclosed by the Finance Department in accordance with the information handling manager's instructions after approval by the Board of Directors.
- Promptly after information disclosure, the disclosure documents are posted at the Company website for the convenience of stakeholders.

Corporate governance structure



*1 Appointment and Remuneration Committee: As an advisory body for the Board of Directors, this committee is mainly composed of outside directors. It takes part in the process for determining remuneration to officers and nominating candidates for officer positions to enhance the transparency and objectivity of the procedures.

*2 Advisory Board: As an advisory body for the representative director, this board is composed of outside specialists who have high standards of specialist knowledge about business management, and gives advice and suggestions about business management from a high vantage point.

*3 Risk Management Committee: This is an organization that supervises all types of risks, including compliance-related ones, pursuant to mandates from the Board of Directors. It is chaired by the President.

*4 Internal Control Auditing Department: This department audits the process of managing and operating management activities in general, such as purchasing, sales and accounting, as well as how they are implemented. It exercises internal control over management by providing information, recommending measures for improvement and efficiency enhancement, and making other proposals based on the audit results.

*5 Company-wide QA Committee: This is an organization that checks up on quality management with a view to improving quality across the Company. It is chaired by the officer in charge of the TQM Promoting Department.

*6 Company-wide Environmental Committee: This organization promotes the continuous improvement of environmental management systems across the Company. It is chaired by the officer in charge of the TQM Promoting Department.

*7 Company-wide Information Security Committee: This committee is chaired by the officer in charge of the Group IT Strategy Department, and secures IT governance, including the proper operation of information network systems and information assets.