Translation

Notice: This document has been translated from the Japanese original for reference purposes.
In the event of any discrepancy between this translated document and the Japanese original, the latter shall prevail.

Corporate Governance Report

CORPORATE GOVERNANCE KOHOKU KOGYO CO.,LTD.

Last Update: March 31, 2025

Kohoku Kogyo
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Securities code: 6524

The corporate governance of Kohoku Kogyo (the "Company") is described below.

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

1. Basic Views

Under the management philosophy of "practice corporate management with participation by all members and appreciation of richness in their personality, and aim to become a one-of-a-kind company through creation of new values," the Company shall continuously endeavor to enhance its corporate governance from the perspective of optimizing the participation-type management. As it does so, the Company shall contribute to all stakeholders including shareholders, business partners and employees, while working to achieve sustainable growth and increase corporate value over the medium to long term.

Furthermore, the Company has a basic policy on corporate governance, which is disclosed on its website (https://www.kohokukogyo.co.jp/en/ir/governance/).

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

Updated

<Supplementary Principle 4-1 (3): Succession planning for CEO, etc.>

Recognizing that succession planning for the chief executive officer (CEO) and others is a major mission and one of the most important challenges, the Company will work to create a management development program and succession plan.

Disclosure Based on each Principle of the Corporate Governance Code

Updated

<Principle 1-4: Cross-shareholdings>

(1) Policy on cross-shareholding of listed shares

In order to create business opportunities and build, maintain and strengthen business and collaborative relationships, the Company's Board of Directors decides whether or not to acquire shares of a company based on the acquisition's significance and economic rationale, and may hold shares of companies it deems necessary.

Each year, the Board of Directors will review the appropriateness of continuing to hold the cross- held shares for each company, taking into consideration the cost of capital, and strive to reduce cross-shareholdings by selling shares that are no longer meaningful to the Company.

(2) Criteria for exercising voting rights of cross-held shares

The Company appropriately exercises the voting rights of listed shares it holds, taking into consideration the policies of its proxy advisory firm and making comprehensive judgments as to whether or not the exercise of voting rights will contribute to the sustainable growth and medium- to long-term enhancement of corporate value of the companies in which it holds shares.

<Principle 1-7: Related party transactions>

The Company has established appropriate procedures to ensure that any transactions with its officers or major shareholders (related party transactions) are not detrimental to the Company or the common interests of its shareholders.

Specifically, the Company has established Related Party Transaction Management Rules and, after thorough review of the rationality (business necessity) of the transaction and the appropriateness of the transaction terms and conditions, adopts a resolution at a meeting of the Board of Directors or reports to the Board of Directors depending on the nature of the transaction.

<Supplementary Principle 2-4 (1): Ensuring diversity in the promotion of core personnel, etc.>

Under the management philosophy of “Practice all-participating-type management respecting rich originality to aim for an only-one company through creation of new values,” the Company strives to ensure diversity by making sure to appoint women as directors and actively promoting talented individuals to management positions regardless of gender, nationality, or whether they are a new graduate or mid-career hire. Group subsidiaries also actively promote the appointment of women and foreign employees as directors and managers. In addition, we have set a goal of increasing the ratio of female and foreign employees in managerial positions to 20% by the fiscal year ending December 2026. As we have already appointed many mid-career hires to managerial positions, our policy is to maintain the current status in that regard.

The Company’s human resource development policy and internal environment development policy for securing diversity, as well as the implementation status thereof, are disclosed in securities reports and under the “Sustainability” section of the “Financial Results Materials Fiscal Year Ended December 2024”, which can be found on our website (https://www.kohokukogyo.co.jp/en/ir/library/).

<Principle 2-6: Functioning as the asset owner of corporate pension plans>

The Company has established the Economic, Industrial, and Medical Enterprise Pension Fund Program (multi-employer program) and a retirement lump sum system as defined benefit plans, as well as a Smaller Enterprise Retirement Allowance Mutual Aid System as a defined contribution plan.

We receive reports regarding investment results of the Economic, Industrial, and Medical Enterprise Pension Fund Program from the managing institution, and consider reviewing the operation as necessary in response to a careful review of said reports.

<Principle 3-1: Enhancing information disclosure>

(i) The Company’s goals (management philosophy, etc.), management strategies and management plans

Under the management philosophy of “Practice all-participating-type management respecting rich originality to aim for an only-one company through creation of new values,” the Company’s management vision is to “conduct research and development, technology development, etc. that contributes to the realization of a one-of-a-kind company, and to build a highly profitable business.”

(ii) Basic concept and policy of corporate governance based on each of the principles in this Code

The Company’s basic concept of corporate governance is disclosed in “I. 1. Basic Concept” of this document.

(iii) Policies and procedures for the Board of Directors in determining senior management and director remuneration

These are disclosed in “II. 1. [Director Remuneration] Disclosure Details of Policy to Determine Amount of Remuneration or its Calculation Method” in this document.

(iv) Policies and procedures for the Board of Directors in appointing and dismissing senior management and nominating candidates for directors

The criteria and process for appointing and dismissing directors are as follows.

1. Appointment criteria for directors

(1) Complies with laws, regulations, the Company's Articles of Incorporation and other rules, and has a strong awareness of compliance

(2) Possesses a high level of knowledge and experience in their area of expertise

2. With respect to independent outside directors, the Company complies with the requirements of the Companies Act and the independence standards established by the Tokyo Stock Exchange, and appoints persons who can be expected to provide advice and oversee management based on an independent and objective standpoint in accordance with such standards.

3. Dismissal criteria for directors

Injustice, serious violation of laws, regulations, Articles of Incorporation or other rules, or gross negligence of duties

4. Appointment and dismissal process for directors

(1) In order to enhance fairness, transparency and objectivity, the Nomination and Remuneration Advisory Committee deliberates and reports on director appointment, and after the Board of Directors determines director candidates, they are appointed as directors by a resolution of the General Meeting of Shareholders.

(2) In order to enhance fairness, transparency, and objectivity, the Nomination and Remuneration Advisory Committee deliberates and reports on director dismissal, and if dismissal is deemed necessary as a result of the Board of Directors considering whether or not dismissal is necessary, the director is dismissed by a resolution of the General Meeting of Shareholders.

(v) Explanation of each appointment or dismissal of senior management or nomination of candidates for directors by the Board of Directors based on (iv) above

The reasons for nominating candidates for directors are explained in the convocation Notice of the General Meeting of Shareholders.

<Supplementary Principle 3-1 (3): Sustainability initiatives, etc.>

Company recognizes the importance of sustainability and is actively engaged in CSR and environmental protection activities, as well as in the acquisition and maintenance of certifications such as ISO and IATF. These are disclosed in our securities reports

and on our website (https://www.kohokukogyo.co.jp/en/company/csr/). Additionally, with regard to investments in human capital and intellectual property, etc., we disclose important issues (materiality), specific initiative themes, and KPIs for each ESG (Environment, Social, Governance) in the "Non-financial Activities" section of our website（https://www.kohokukogyo.co.jp) and in the "Sustainability" section of the "Financial Results Materials Fiscal Year Ended December 2024" (https://www.kohokukogyo.co.jp/en/ir/library/) on our website.

<Supplementary Principle 4-1 (1): Scope of the Board of Directors' delegation to management>

The Company's Board of Directors resolves matters required by the Companies Act, and these matters are defined in the "Table of Official Authority."

Other matters are delegated to the president, directors and others, within the scope clarified in the "Table of Official Authority."

<Principle 4-9: Independence standards and qualifications for independent outside directors>

With respect to independent outside directors, the Company complies with the requirements of the Companies Act and the independence standards established by the Tokyo Stock Exchange, and appoints persons who can be expected to provide advice and oversee management based on an independent and objective standpoint in accordance with such standards.

<Supplementary Principle 4-10 (1): Appropriate involvement and advice of independent outside directors through the establishment of independent Nomination and Remuneration Committees>

The Company has established the Nomination and Remuneration Advisory Committee, which serves as an advisory body to the Board of Directors and meets as needed to enhance corporate governance by strengthening the fairness, transparency and objectivity of procedures related to director nomination, remuneration, etc.

As of the date of submission, the Nomination and Remuneration Advisory Committee consists of three members in total: an outside director (the chair), the president and another outside director. Its main roles are as follows.

(1) It deliberates and reports on director appointment, which then determines director candidates.

(2) It deliberates and reports on director dismissal, which then considers whether or not dismissal is necessary.

(3) It deliberates and reports on formulation of policy for the director remuneration system and each director's remuneration, which is then determined by resolution of the Board of Directors, which has the authority to make the final decision, based on such deliberation and reports.

<Supplementary Principle 4-11 (1): Concept of the balance of knowledge, experience and competence as well as diversity and size of the Board of Directors>

In consideration of the number of persons capable of making accurate and prompt decisions, the Board of Directors shall consist of nine (9) directors, and six (6) of them shall be independent outside directors. In consideration of the diversity of directors, the Board of Directors shall consist of personnel with strengths in specialized fields such as management, manufacturing, technology, research and development, sales, accounting, and sustainability in a well-balanced manner. The directors have strengths in their specialized fields and an international perspective. We have appointed directors with management experience at other companies, qualifications as certified public accountants, attorneys, etc. and we believe that they are adequately equipped with knowledge, experience and ability.

The Skill Matrix is disclosed in the Notice of the General Meeting of Shareholders.

<Supplementary Principle 4-11 (2): Concurrent appointment of directors and auditors>

In cases where directors concurrently serve as officers of listed companies, the Company appoints them after considering whether they can devote the time and effort required to properly fulfill their roles and responsibilities as directors.

The status of concurrent positions of directors is disclosed in business reports and securities reports.

<Supplementary Principle 4-11 (3): Evaluation of the effectiveness of the Board of Directors>

As disclosed in "Supplementary Principle 4-11 (1): Concept of the balance of knowledge, experience and competence as well as diversity and size of the Board of Directors" in this document, the Company believes that its Board of Directors is sufficiently knowledgeable, experienced and competent to ensure its effectiveness. The Company evaluates the effectiveness of the Board of Directors and discloses the results on its website (https://www.kohokukogyo.co.jp/en/ir/governance/).

<Supplementary Principle 4-14 (2): Training policy for directors>

The Company has a system in place to provide, facilitate and help pay for training opportunities for directors tailored to each one's needs, with the aim of enabling them to acquire necessary knowledge of the Company's business, finances and organization upon assuming office, providing opportunities to understand the roles and responsibilities expected of them and continuously updating these during their term of office.

<Principle 5-1: Policy on constructive dialogue with shareholders>

The Company actively engages in dialogue with shareholders and strives to improve our systems to contribute to our sustainable growth and enhance our corporate value over the medium to long term.

(1) Dialogue with shareholders will be overseen by the director in charge of the Public Relations and Investor Relations Department.

(2) The Company's main IR activities include financial results briefings twice a year, individual investor briefings, visits to domestic and overseas investors, small meetings, and hosting IR interviews and ESG meetings. Depending on the content, the President and CEO, directors and corporate officers in charge of each business division, and directors and corporate officers in charge of the Investor Relations and Public Relations Dept. attend and provide explanations as appropriate. In addition, we prepare and disclose IR documents such as quarterly financial results materials and investors guide, and disclose the above IR materials and non-financial information on our website.

(3) The details of IR activities and feedback and opinions we receive from dialogue with shareholders and other investors are reported and shared at the management meeting and Board of Directors, which are held monthly in principle, and then used for subsequent management policies and IR activities.

(4) When interacting with shareholders, we pay attention to the fairness of information disclosure through the operation of the Disclosure Policy and related practical guidelines. In addition, the Company strives to ensure thorough management of insider information by establishing a management system for insider information based on various regulations, such as the "Insider Trading Management Regulations", "Information Disclosure Regulations", "Information Security Management Regulations", and "Timely Disclosure Regulations", and by holding regular in- house seminars.

(5) The Company shall conduct a substantial shareholder survey twice a year to understand the shareholder structure.

[Actions toward Achieving Management Conscious of Cost of Capital and Stock Price] [English disclosure available] [Updated: 31/03/2025]

Every year, the Company announces medium-term management plan, which sets out performance targets for various management indicators such as sales and operating profit, ROIC, and ROE. We formulate key measures and various KPIs for each business division and the Group to achieve the medium-term management plan, and disclose these together with its progress in financial results materials, etc. In addition, in the medium-term management plan, we have prepared and disclosed a plan for the use of current liquidity and the cash flows planned in the medium-term management plan. Shareholder return policy has set a consolidated dividend payout ratio target of 30% and a DOE of at least 3%, and we strive to enhance shareholder returns in line with improvements in business performance, while also striving for flexible shareholder return measures according to circumstances, such as share buybacks.

Details of our medium-term management plan and shareholder return measures are disclosed in the "Financial Results Materials Fiscal Year Ended December 2024" on our website (https://www.kohokukogyo.co.jp/en/ir/library).

2. Capital Structure

Foreign Shareholding Ratio Updated	10% or more but less than 20%

Status of Major Shareholders Updated

Name or Company Name	Number of Shares Owned	Percentage (%)
Futoshi Ishii	12,174,695	45.10
IF Management Co., Ltd.	4,987,500	18.48
Custody Bank of Japan, Ltd. (Trust Account)	1,016,900	3.77
The Master Trust Bank of Japan, Ltd. (Trust Account)	662,600	2.45
THE BANK OF NEW YORK 133652 (Standing proxy: Mizuho bank)	558,000	2.07
JP MORGAN CHASE BANK 380684 (Standing proxy: Mizuho bank)	542,500	2.01
The Nomura Trust and Banking Co., Ltd. (Trust Account)	526,500	1.95
STATE STREET BANK AND TRUST COMPANY 505301 (Standing proxy: Mizuho bank)	426,300	1.58
HSBC BANK PLC A/C CLIENTS, AIFMD 1 (HSBC, Tokyo Branch)	287,800	1.07

Name of Controlling Shareholder, if applicable (excluding Parent Companies)	Futoshi Ishii
Name of Parent Company, if applicable	Not applicable.

Supplementary Explanation Updated

1) The above percentages are calculated based on the total number of shares issued less treasury stock.
2) IF Management Co., Ltd. is the asset management company of Futoshi Ishii, president of the Company.
3) The status of major shareholders is current as of December 31, 2024.
4) The amendment report regarding the large-scale shareholding report dated January 21, 2025, which is available for public inspection, states that Schroder Investment Management Co., Ltd. and its co-holder, Schroder Investment Management Limited, each hold shares as of January 15, 2025 as follows. However, we are unable to confirm the actual number of shares held as of December 31, 2024, and therefore have not included them in the status of major shareholders above.
The contents of the Large Shareholding Report are as follows:
①Name: Schroder Investment Management Co., Ltd.
Address: 1-8-3 Marunouchi, Chiyoda-ku, Tokyo
Number of shares held: 1,238,400 shares
Shareholding ratio: 4.59%
②Name or company name: Schroder Investment Management Limited
Address: 1 London Wall Place, London, EC2Y5AU, UK
Number of shares held: 58,000 shares
Shareholding ratio: 0.21%
③Total of shares held by the above two companies
Number of shares held: 1,296,400 shares

Shareholding ratio: 4.80%

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Tokyo Standard Market
Fiscal Year-End	December
Business Sector	Electrical Appliances
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	¥10 billion or more but less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Fewer than 10

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

Updated

Regarding transactions between the Company and controlling shareholders, we have established a special committee consisting of independent persons, including independent outside directors, in order to sufficiently examine the rationality of the transaction (business necessity) and appropriateness in terms of the transaction, and to take measures to ensure that the interests of minority shareholders are not harmed.

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

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

1. Organizational Composition and Operation

Corporate Governance System	Company with Audit and Supervisory Committee

Directors

Number of Directors Stipulated in Articles of Incorporation Updated	13
Directors' Term of Office Stipulated in Articles of Incorporation	1
Chairperson of the Board Updated	President
Number of Directors Updated	9
Election of Outside Directors	Elected
Number of Outside Directors	6

Number of Independent Directors	6

Outside Directors' Relationship with the Company (1) Updated

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Shoko Sawaki	Academic											
Masayuki Arai	From another company											
Dieter Sommerhalder	From another company											
Yutaka Kuriyama	From another company											
Masaya Nakamura	Lawyer											
Yasushi Kozu	CPA											

*Categories for "Relationship with the Company".
(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

a. Person who executes business for the Company or its subsidiary
b. Person who executes business for 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/company auditor
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 director him/herself only)
k. Other

Outside Directors' Relationship with the Company (2) Updated

Name	Membership of Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Shoko Sawaki		○	———	Sawaki is a university professor engaged in the education and research of business administration, including human resource management and cross-cultural management. She was appointed as an outside director who is not an Audit and Supervisory Committee member based on the view that her extensive knowledge and experience will be reflected in the Company's management and contribute to strengthening the functions of the Board of Directors.
Masayuki Arai		○	———	Having been engaged in research at universities overseas and worked as a Senior Commercial Secretary at the British Embassy, Arai has high level of expertise as well as

				international perspective and extensive experience. He has been appointed as an outside director who is not Audit and Supervisory Committee member since his expertise and experience are indispensable to the development of new businesses.
Dieter Sommerhalder		○	———	Sommerhalder has extensive experience in finance as well as corporate management at organizations such as international financial institutions. He has been appointed as an outside director who is not Audit and Supervisory Committee member since his experience and networks are indispensable to promote the global development of the Company.
Yutaka Kuriyama	○	○	———	Kuriyama provides appropriate advice regarding the management of the Company based on his extensive experience and broad knowledge as a company executive. He also contributes to the maintenance and strengthening of the Company's governance by serving as the chairperson of the Nomination and Remuneration Advisory Committee, which is an advisory body to the Board of Directors. He has been appointed as an outside director serving as Audit and Supervisory Committee member since we believe that he can continue to perform audits and other duties from an objective and neutral standpoint.
Masaya Nakamura	○	○	———	Nakamura has been appointed as an outside director serving as Audit and Supervisory Committee member since we expect him to commit himself to strengthening the supervisory functions of overall management and those of conflict of interests, mainly from a legal standpoint, utilizing his professional expertise as an attorney at law.
Yasushi Kozu	○	○	———	Kozu has been appointed as an outside director serving as Audit and Supervisory Committee member since we expect him to commit himself to strengthening the supervisory functions of overall management, mainly from a standpoint of financial accounting, by utilizing his professional expertise as a certified public accountant.

Supervisory Committee

Composition of Supervisory Committee and Attributes of the Chairperson Updated

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Committee Chair
Supervisory Committee	3	0	0	3	Outside Director

Appointment of Directors and/or Staff to Support the Supervisory Committee Updated	Appointed

Matters Concerning Independence of Said Directors and/or Staff from Executive Officers/Reasons for Adopting Current System Updated

Such employees will not be subject to the instructions and orders of directors who are not Audit and Supervisory Committee members with regard to the duties they receive from the Audit and Supervisory Committee, and the appointment, transfer, evaluation and disciplinary action against such employees require the prior consent of the Audit and Supervisory Committee.

Cooperation among the Supervisory Committee, Accounting Auditors and Internal Audit Department Updated

The Company is working to improve audit quality through collaboration with Audit and Supervisory Committee members and accounting auditors focusing on the following items.

- Sharing of audit plans and explanations/reports (three-way audit meetings)
- Sharing of information on audit results and issues discovered (attendance at semi-annual reviews)
- Attendance at physical inventories and subsidiary audits, etc., as necessary
- Attendance at internal audit review meetings for audited departments and regular monthly meetings

Voluntary Established Committee(s)

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

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

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

Supplementary Explanation Updated

The Nomination and Remuneration Advisory Committee, which serves as an advisory body to the Board of Directors, meets as needed to enhance corporate governance by strengthening the fairness, transparency and objectivity of procedures related to director nomination, remuneration, etc.

As of the date of filing this document, the Nomination and Remuneration Advisory Committee consists of three (3) Directors: an outside director (chairman), the President and CEO, and an outside director.

Matters Concerning Independent Directors

Number of Independent Directors Updated	6

Other Matters Concerning Independent Directors
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Incentives

Implementation Status of Measures related to Incentives Granted to Directors	Other

Supplementary Explanation for Applicable Items
The Company has introduced a restricted stock compensation plan to provide an incentive for the sustainable improvement of our corporate value and to further share that value with our shareholders.

Persons Eligible for Stock Options	

Supplementary Explanation for Applicable Items
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Director Remuneration

Status of Disclosure of Individual Director's Remuneration	No Disclosure for any Directors

Supplementary Explanation for Applicable Items Updated
There is no individual whose total consolidated remuneration, etc., exceeds 100 million yen, so this is not stated.

Policy on Determining Remuneration Amounts and Calculation Methods Updated	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods
Ⅰ.Basic Policy Remuneration for directors of the Company who are not Audit and Supervisory Committee members (excluding outside directors) shall be an amount that reflects business performance with consideration given to the duties, position, performance, and achievements, etc. from the perspective of sharing value with shareholders. Specifically, Remuneration for directors shall consist of basic remuneration, bonuses, and restricted stock remuneration. In view of their duties independent from the execution of business, remuneration for directors who are Audit and Supervisory Committee members and outside directors, who are responsible for supervisory functions, shall consist only of basic remuneration. The limit on the amount of remuneration for directors who are not Audit and Supervisory Committee members was resolved at the Ordinary General Meeting of Shareholders held on March 28, 2025 to be no more than 300 million yen (of which the

portion for outside directors is 50 million yen per year), and amounts are determined within this range. The maximum remuneration for directors who are Audit and Supervisory Committee members was resolved at the Ordinary General Meeting of Shareholders held on March 28, 2025, to be no more than 50 million yen, and remuneration will be determined within this range.

II. Basic Remuneration

Basic remuneration shall be determined by taking into consideration the content of duties and position of each director, and shall be paid monthly.

III. Bonuses

The total amount of bonuses shall be determined based on the Company's operating profit, etc., for each fiscal year, with the specific allocation to each applicable director determined individually by taking into consideration an evaluation of the performance and achievements of the department and position. These shall be paid in installments once or twice a year.

IV. Restricted Stock Remuneration

The Company has introduced restricted stock remuneration to provide an incentive for the sustainable improvement of our corporate value and to further share that value with our shareholders. At the Ordinary General Meeting of Shareholders held on March 28, 2025, it was resolved that restricted stock remuneration shall be made by providing monetary claims of up to 30 million yen per year in total, separately from the limit on remuneration for directors who are not Audit and Supervisory Committee members (excluding outside directors) stated in the basic policy above, and by having all such monetary claims be contributed in kind. The specific allocation of restricted stock remuneration to each eligible director shall be determined individually within the scope described above, taking into consideration an evaluation of the performance and achievements of the department they are in charge of, and shall be paid once a year.

V. Procedures for Determining Remuneration, etc. by Individual

In order to ensure objectivity and transparency in the process of determining individual remuneration, etc., the Company has established a Nomination and Remuneration Advisory Committee, the majority of which is comprised of independent outside directors. Decisions on individual remuneration shall be made by the Board of Directors after deliberation by this Nomination and Remuneration Advisory Committee.

Support System for Outside Directors

Updated

In addition to holding meetings for the independent outside directors to exchange opinions, we provide advance explanations on important matters for discussion.

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

Updated

(1) Board of Directors/Directors

As the decision making body responsible for the management of the Company, the Board of Directors makes decisions on the execution of important business and supervises the execution of business by directors. Board of Directors meetings are held on a regular basis once a month and as needed to expedite decision making, and decisions are made fairly and appropriately through adequate consultation.

As of the date of submission of this document, the Board of Directors is chaired by President and CEO Futoshi Ishii, and is composed of one (1) Senior Executive Director, four (4) Directors who are not Audit and Supervisory Committee members (of which, three are outside directors), and three (3) Directors who are Audit and Supervisory Committee members (of which, three (3) are outside directors). The names of the members of the Board of Directors are stated in the securities report.

(2) Audit and Supervisory Committee

The Audit and Supervisory Committee will hold regular meetings once a month, similar to the Board of Corporate Auditors meetings held in the past, and will also hold meetings whenever necessary. Audit and Supervisory Committee sets audit policies and audit plans. The members attend meetings of the Board of Directors and other important meetings, and provide necessary instructions to the Internal Audit Department, thereby ensuring the effectiveness of the audit and supervisory functions of the Audit and Supervisory Committee through close cooperation with the Internal Audit Department. It will also strive to communicate with accounting auditors and make efforts to gather information and improve the audit environment. Audit and Supervisory Committee members include those with accounting knowledge as certified public accountants and with legal knowledge as lawyers.

There will be no full-time Audit and Supervisory Committee members, but an assistant is appointed to the Audit and Supervisory Committee to enhance the auditing system by the Audit and Supervisory Committee.

As of the date of submission of this document, Audit and Supervisory Committee is composed of Yutaka Kuriyama, chairman of the Outside and Audit and Supervisory Committee, as the chairman, and two (2) other Audit and Supervisory Committee members. The names of the members of the Audit and Supervisory Committee are stated in the securities report.

(3) Management Meetings

The Management Meeting, which consists of directors, corporate officers, and other senior management, serves as an advisory body to the directors, where it holds sufficient discussions regarding important matters relating to the Company, such as medium-term management plans, budgets, and important proposals. In principle, meetings are held once a month for the purpose of reporting on the progress of the policies of the Lead Terminals Business, Optical Components & Devices Business, and administrative departments, and they are also held as necessary.

As of the date of submission of this document, the Management Meeting is composed of the chairman, the President and CEO, one (1) Senior Executive Director, three (3) Directors of which, two (2) is an outside director), nine (9) Corporate Officers, and one (1) Director who is an Audit and Supervisory Committee member (outside director). In addition, officers or employees not mentioned above may be called as necessary.

(4) Compliance Committee

The Compliance Committee, which consists of directors and corporate officers, etc., meets every other month in principle, in order to review decisions related to Group compliance-related policies and measures, and to consider awareness and education regarding compliance promotion.

As of the date of submission of this document, the Compliance Committee is composed of the chairman, the President and CEO, one (1) Senior Executive Director, one (1) Director who is not an Audit and Supervisory Committee member, three (3) Corporate Officers, one (1) Director who is an Audit and Supervisory Committee member (outside director), and the head of the Internal Audit Department. In addition, other officers or employees may be convened as necessary.

(5) Risk Management Committee

The Risk Management Committee, which consists of directors and corporate officers, etc., meets every other month in principle, in order to determine policies and measures related to risk management for the Group, grasp the management status of individual risks relating to the Group's business and other operations, and to provide guidance on risk avoidance measures for each department of the Group.

As of the date of submission of this document, the Risk Management Committee is composed of the chairman, the President and CEO, one (1) Senior Executive Director, one (1) Director who is not an Audit and Supervisory Committee member, three (3) Corporate Officer, one (1) Director who is an Audit and Supervisory Committee member (outside director), and the head of the Internal Audit Department. In addition, other officers or employees may be convened as necessary.

(6) Sustainability Committee

The goal of the Sustainability Committee is to help the Group contribute to a sustainable society by tackling various issues, including those related to the environment, as well as achieve sustainable corporate growth and increase corporate value over the medium to long term. Established in February 2024, the Committee meets every six months in principle.

As of the date of submission of this document, the Sustainability Committee is composed of the chairman, the President and CEO, one (1) Senior Executive Director, one (1) Director who is not an Audit and Supervisory Committee member, nine (9) Corporate Officers, one (1) Director who is an Audit and Supervisory Committee member (outside director), and the head of the Internal Audit Department. In addition, other officers or employees may be convened as necessary.

(7) Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee serves as an advisory body to the Board of Directors and meets as needed to strengthen the fairness, transparency, and objectivity of procedures relating to the nomination and remuneration of directors and to enhance corporate governance.

As of the date of submission of this document, the members of the Nomination and Remuneration Advisory Committee are an outside director who is an Audit and Supervisory Committee member serving as chairman, the President and CEO, and two (2) Directors who are Audit and Supervisory Committee members (outside directors).

(8) Internal Audit Department

The Internal Audit Department, an organization under the direct control of the President and CEO, conducts internal audits on the legality and appropriateness of the operational state of internal systems and the status of business execution across all aspects of management. It cooperates with accounting auditors through the exchange of opinions on accounting audits and hearing about accounting audit plans and results. In addition, It is deepening cooperation with Audit and Supervisory Committee through the reporting of internal audit plans and internal audit results, and conducting audits and reports as instructed by the Audit and Supervisory Committee as necessary, aiming to enhance the auditing function and improve its effectiveness through these efforts.

As of the date of submission of this document, the Internal Audit Department consists of the head of the Internal Audit Department, one (1) Deputy Director in charge of overseas subsidiaries, and two (2) other members.

(9) Accounting auditors

The Accounting auditors report audit plans and results to the Audit and Supervisory Committee and the Internal Audit Department as needed. The Company has entered into an audit agreement with Deloitte Touche Tohmatsu LLC, and audits are conducted timely and appropriately. There are no special interests between the Company and the auditing firm or its executives.

3. Reasons for Adoption of Current Corporate Governance System Updated

The reason why we have transitioned from a company with auditors to a company with an Audit and Supervisory Committee and adopted such a system is that we believe that it contributes to transparent, fair, and prompt management and strengthens governance.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanation
Early Posting of Notice of the General Meeting of Shareholders	The Company will dispatch convocation notices as early as possible to ensure that shareholders have sufficient time to consider the agenda items.
Electronic Exercise of Voting Rights	The exercise of voting rights is conducted by electromagnetic means using computers and smartphones.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	The Company participates in an electronic voting platform operated by ICJ, Inc. The Company provides convocation notices in English.

2. Status of IR-related Activities Updated

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	The Company's disclosure policy is disclosed on the dedicated IR section of the Company's website.	
Regular Investor Briefings held for Individual Investors	The Company holds briefings for individual investors as necessary.	Held
Regular Investor Briefings held for Analysts and Institutional Investors	The Company holds meetings as appropriate, at which the president, directors in charge of each business division and director in charge of Investor Relations and Public Relations Dep. explain business performance trends, strategies, and other matters.	Held
Regular Investor Briefings held for Overseas Investors	The Company visits overseas investors as appropriate.	Held
Online Disclosure of IR Information	The Company's website has a dedicated IR website (https://www.kohokukogyo.co.jp/en/ir/) to disclose financial results, quarterly reports, securities reports, financial results materials, investors guide, etc. The Company also has a dedicated English IR website (https://www.kohokukogyo.co.jp/en/ir/) in which it discloses various IR materials in English, and we also create and provide English versions of various timely disclosure documents.	
Establishment of Department and/or Placement of a Manager in Charge of IR	The Investor Relations and Public Relations Dep. handles IR.	

3. Status of Measures to Ensure Due Respect for Stakeholders

Updated

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	The Company's Basic Policy on Corporate Governance states, "The Company strives to maintain good relationships with its shareholders, employees, customers, business partners, creditors, local communities and various other stakeholders and act in accordance with the Code of Conduct to earn their trust."
Implementation of Environmental Preservation Activities and CSR Activities, etc.	The Company has established an environmental policy and is working to conduct environmentally friendly business operations, such as acquiring the environmental management system ISO14001. The Company is also committed to supporting environmental conservation activities, such as installing solar power generation equipment at its headquarters factory, volunteering for environmental protection, and making donations to help restore the natural environment. Furthermore, we contribute to society by offering scholarship programs, accepting internships, and supporting local cultural activities. Details of CSR activities are disclosed on the Company's CSR website (https://www.kohokukogyo.co.jp/en/company/csr/).
Formulation of Policies, etc. on Provision of Information to Stakeholders	Based on the Disclosure Policy, the Company has established "Basic Disclosure Rules" and "Timely Disclosure Rules" as company-wide rules, while the division in charge of investor relations has also established "IR Activity Guidelines" in an effort to disclose information in a timely and appropriate manner.
Other	Promoting non-financial activities through the Sustainability Committee In February 2024, we established the Sustainability Committee as an organization that spans the entire group. It is divided into working groups for the environment, society, and governance to carry out non-financial activities and strive to manage our business in a way that takes into consideration the stakeholders surrounding the company.

IV. Matters Concerning the Internal Control System

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

Updated

(1) Basic Concept of Internal Control Systems

In order to enhance corporate value through business activities in line with our management philosophy and to build a stable, sustainable group foundation, the Company has established "Basic Policy for Internal Control Systems", based on the Companies Act and the Ordinance for Enforcement of the Companies Act and by resolution of the Board of Directors, to ensure the appropriateness of our operations, and strives to improve internal control functions.

(2) Status of Internal Control Systems

① Systems to ensure that the execution of duties by directors and employees complies with laws, regulations and the Articles of Incorporation.

(i) The Code of Conduct presents norms to ensure appropriate execution of duties by directors and employees.

(ii) The Company establishes organization, business and other internal rules and conducts business based on these rules.

(iii) When executing business, the Company provides education and awareness and appropriately oversees this execution.

(iv) The Company has established a whistle-blowing system to receive reports and inquiries regarding real and potential compliance violations in the execution of business and operates the system appropriately.

(v) The appropriateness of business execution is confirmed through audits by Audit and Supervisory Committee, internal audits and financial audits, and feedback is provided to the audited departments and reported to the Board of Directors and president. Necessary and appropriate corrective actions are then taken.

(vi) The Nomination and Remuneration Advisory Committee has been established as an advisory body to the Board of Directors to enhance fairness, transparency and objectivity in the nomination and remuneration decisions of directors who are not Audit and Supervisory Committee members.

(vii) The Company severs any ties with antisocial forces. It does not accept their unreasonable demands nor provide funds to them.

② System for storage and management of information related to execution of duties by directors

Information related to the execution of duties by directors is stored and managed appropriately and reliably in a highly searchable condition in accordance with the storage media, based on the Document Management Rules and other internal rules.

③ Rules and other systems for managing risk of loss

(i) The Company has established Risk Management Rules and builds and operates a risk management system.

(ii) In order to prevent the spread of losses in the event of a serious incident in business activities, a system has been established to ensure prompt and appropriate communication of information and emergency response.

(iii) In accordance with the Internal Audit Rules, the Company conducts systematic internal audits, and in the event that any matter is discovered that poses a risk of loss based on a violation of laws, regulations, the Articles of Incorporation or other reasons, the Company reports to the president and Audit and Supervisory Committee as appropriate and follows up on the implementation of corrective measures.

④ System to ensure efficient execution of duties by directors

(i) The Board of Directors meets regularly once a month and as needed to deliberate and decide on important matters in accordance with laws, regulations, the Articles of Incorporation and other rules.

(ii)In order to ensure efficient and rapid management, the Board of Directors delegates decisions regarding necessary business operations to directors, The "Rules on Division of Duties" and "Rules on Administrative Authority" specify who is responsible for the execution of each duty, the items of administrative authority, and the details of their responsibilities and procedures.

(iii) The Management Meeting, which serves as an advisory body to the Directors who have been delegated the authority to make decisions regarding business execution, conducts timely and appropriate deliberations on matters referred to it by the Directors and report back to the Directors.

(iv) The Company specifies its management policies and business objectives by formulating medium-term management plans in order to execute business efficiently and effectively.

(v) The Company is implementing a corporate officer system and clarifying the responsibilities of corporate officers. Corporate officers attend management meetings and participate in deliberations on business execution policies, etc., to ensure prompt and appropriate management of the Company.

⑤ System to ensure appropriateness of operations by corporate group consisting of the Company and its subsidiaries

(i) While respecting the autonomy of subsidiaries, the Company manages them through periodic reporting of their business to the Company as well as discussing and making decisions on important matters, in accordance with the Rules for Management of Affiliated Companies.

(ii) The Internal Audit Office monitors the appropriateness of operations of the Company and its subsidiaries.

⑥ Matters concerning employees who will assist the duties of the Company's Audit and Supervisory Committee, matters concerning the independence of such employees from the Company's directors who are not Audit and Supervisory Committee members, and matters concerning the effectiveness of instructions given by the Company's Audit and Supervisory Committee to such employees

(i) When required by the Audit and Supervisory Committee, employees are assigned to assist them in their duties.

(ii) Such employees are not subject to the direction or orders of directors who are not Audit and Supervisory Committee members or others with respect to duties assigned by Audit and Supervisory Committee.

(iii) The appointment, transfer, evaluation and discipline of such employees requires the prior consent of the Audit and Supervisory Committee.

⑦ Systems for directors who are not Audit and Supervisory Committee members, employees to report to Audit and Supervisory Committee and other systems concerning reporting to Audit and Supervisory Committee

(i) Directors who are not Audit and Supervisory Committee members report on the status of execution of their assigned duties at Board of Directors meetings and other important meetings attended by Audit and Supervisory Committee members.

(ii) The Group directors who are not Audit and Supervisory Committee members and employees promptly report to the Audit and Supervisory Committee members not only legal matters but any matters that may have a material impact on the Company and Group.

(iii) Audit and Supervisory Committee may request reports from directors and employees of the Company and its subsidiaries at any time.

(iv) No person who reports to the Audit and Supervisory Committee is treated disadvantageously by reason of such report.

⑧ Matters concerning the procedures for advance payment or repayment of expenses incurred in the execution of the duties of the Audit and Supervisory Committee members and the policy for the processing of expenses or liabilities incurred in the execution of such duties

When an Audit and Supervisory Committee member requests prepayment of expenses in connection with the performance of duties, the Company promptly pays for such expenses or liabilities unless they are deemed unrelated to the performance of the Audit and Supervisory Committee's duties.

⑨ Other systems to ensure that audits by the Audit and Supervisory Committee are conducted effectively

(i) In order to ensure that the audits by the Audit and Supervisory Committee are conducted effectively, the directors who are not Audit and Supervisory Committee members have established a system that allows sufficient exchange of information with the Company's accounting auditor regarding the details of financial audits.

(ii) Regular meetings between the Audit and Supervisory Committee and the president are held to exchange opinions.
(iii) The Audit and Supervisory Committee may request the Internal Audit Department to conduct an investigation as necessary. In this way, strengthen cooperation with the Internal Audit Department in order to ensure the effectiveness of audits.

(3) Status of Risk Management System

In establishing the "Risk Management Rules," the Company is striving to prevent risks, detect risks at an early stage, and minimize losses by clarifying the management system for preventing the occurrence of risks and the responses to such risks should they occur. In addition, we established "Internal Reporting Rules" and an internal reporting system for law violations, misconduct, etc., to ensure early detection and correct misconduct.

(4) Status of Systems to Ensure Adequacy of Operations of Subsidiaries

The Company established "Rules for the Administration of Affiliated Companies" and is working to enhance the management efficiency of the Group and appropriately manage the operations of our subsidiaries. We also established "Internal Audit Rules," and the Internal Audit Department conducts internal audit services for the Company and all subsidiaries, and verifies their management systems.

(5) Outline of the Limited Liability Agreement

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into agreements with corporate directors who are not executive directors to limit their liability for damages where the requirements stipulated by law regarding liability under Article 423, Paragraph 1 of the Companies Act are met. The maximum amount of liability under this agreement is the minimum liability amount stipulated by laws and regulations.

(6) Directors and Officers Liability Insurance Policy

The Company has concluded directors and officers liability insurance contracts with insurance companies as provided for in Article 430-3, Paragraph 1 of the Companies Act. This provides compensation for damages (excluding those covered by the exemption grounds stipulated in the insurance contract) in the event that a director incurs damages arising from his or her business operations. The insurance premiums are borne entirely by the Company.

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

(1) Basic concept of elimination of antisocial forces

As its basic policy regarding antisocial forces, Article 10 of the Company's Code of Conduct states, "The Company shall take a firm stand against antisocial forces that threaten social order and sound corporate activities, and shall not engage in any illegal or antisocial activities, nor provide any benefits, including economic benefits, to antisocial forces under any pretext."

(2) Status of elimination of antisocial forces

The Company works to instill its corporate ethics to eliminate any relationship with antisocial forces by making the above Code of Conduct thoroughly known by its officers and employees.

The specific status is as follows.

(a) Department in charge of response and person in charge of unreasonable demands

The Company has designated the General Affairs Department as the department in charge of responding to antisocial forces, and the head of the General Affairs Department as the person responsible for preventing acceptance of unreasonable demands. In addition, a system is in place for the head of the General Affairs Section to respond to unreasonable demands, organized violence and criminal acts by antisocial forces in accordance with Article 5 of the Complaint Response Manual.

(b) Investigation of business partners, etc.

At the start of new transactions, the Company investigates whether the counterparty has any relationship with antisocial forces by using Nikkei Telecom and other means in accordance with Article 7 of the Rules for Dealing with Antisocial Forces. If this investigation reveals a connection with antisocial forces, or if there is not enough evidence to conclude that there is no connection with antisocial forces, the Company will not engage in business with said counterparty. In addition, when concluding contracts with business partners, the Company will include clauses of exclusion of antisocial forces in the contracts.

(c) Investigation of officers, employees, etc.

As with business partners, the Company investigates whether its officers or employees have any relationship with antisocial forces by using Nikkei Telecom and other means.

V. Other

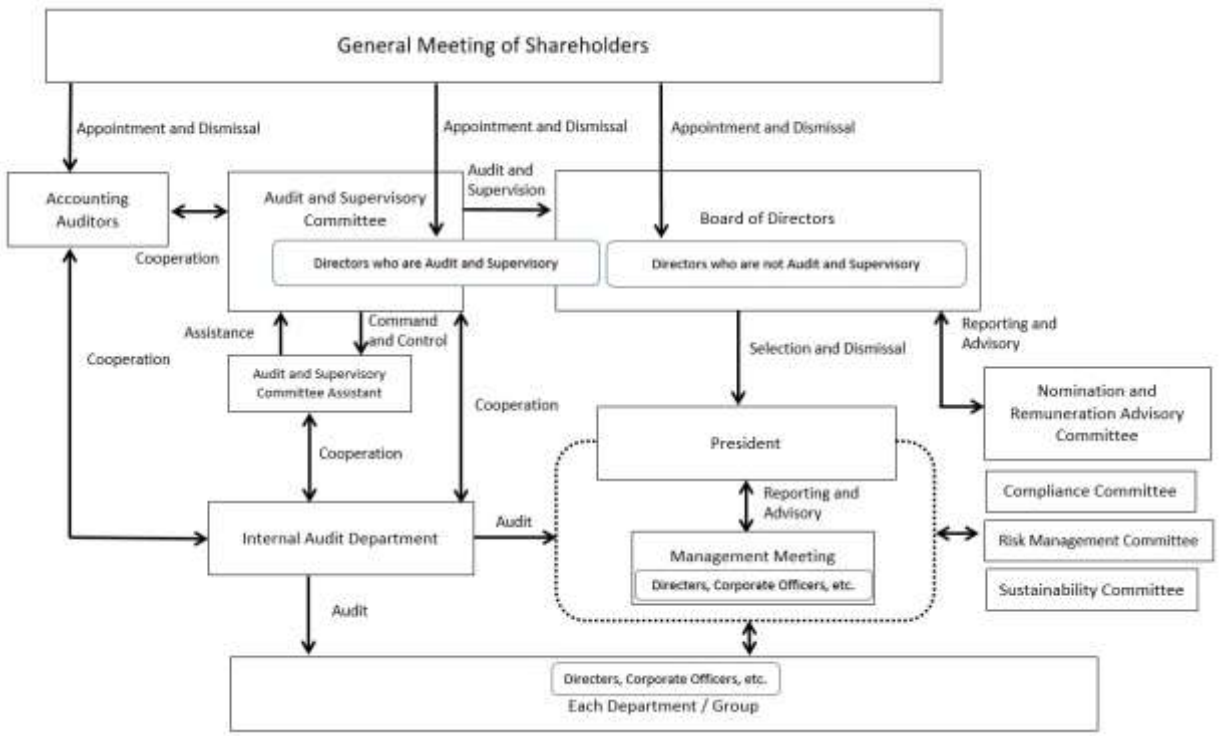
1. Adoption of Anti-Takeover Measures

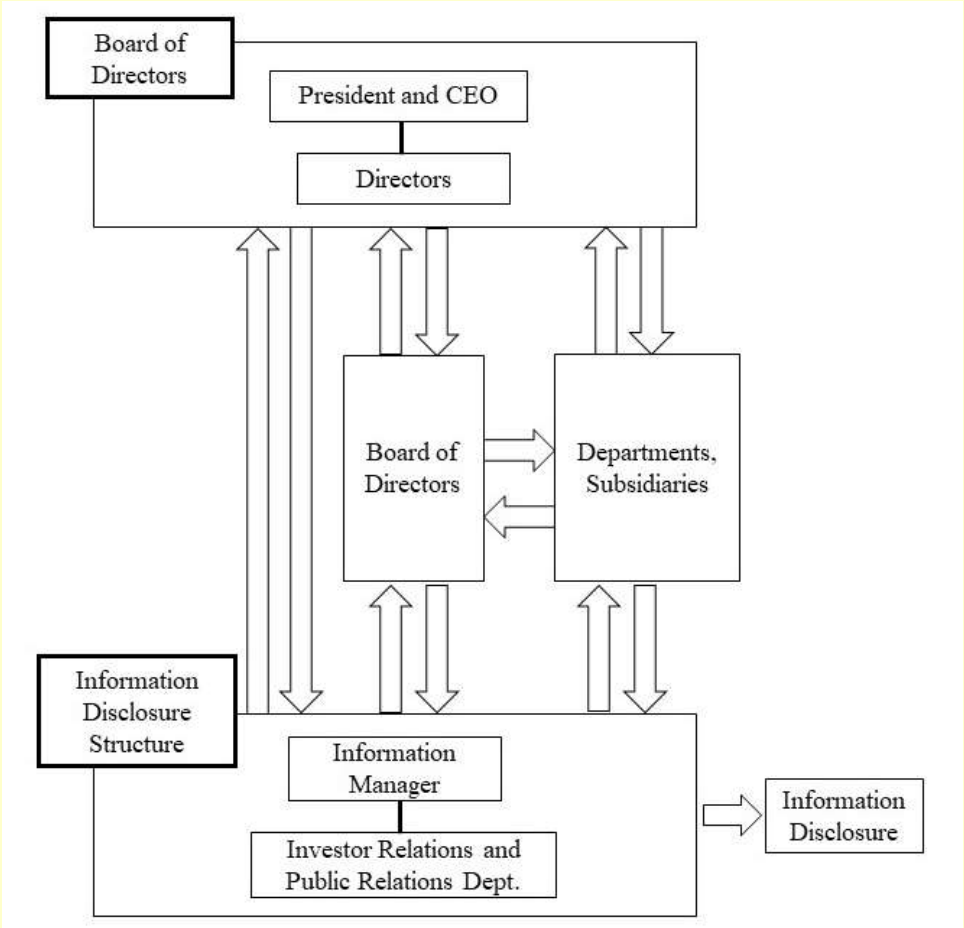
Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation for Applicable Items
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2. Other Matters Concerning the Corporate Governance System

Updated




Board of Directors
President and CEO
Directors
Board of Directors
Departments, Subsidiaries
Information Disclosure Structure
Information Manager
Investor Relations and Public Relations Dept.
Information Disclosure

END