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Last Update: July 16, 2025

PILOT CORPORATION

Fumio Fujisaki,
Representative Director and President
Contact: Toshiyuki Kikawa,
Executive Officer and
General Manager of
General Affairs
Department
Securities code: 7846
https://www.pilot.co.jp/

The corporate governance of PILOT CORPORATION (the "Company") is described below.

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

1. Basic Views

The PILOT Group aspires to support writing around the world while supporting people, society and culture in areas other than writing through the practice of our five guiding principles which encompass our founding spirit and serve as our principles of conduct, based on our Purpose, "Our Creations Inspire Creativity." We are determined to develop, strengthen, and enhance our system for corporate governance so that it is more effective. In this system, we will incorporate feedback from our shareholders, customers, employees and people in local communities around the world into our management while improving its objectivity and transparency, passing down the traditions and skills we have accumulated and responding to the changing times and environment. To further strengthen these initiatives, we have chosen to adopt an organizational structure under which we are a company with an audit and supervisory committee. (For the reasons for this choice, please refer to II. 3. Reasons for Adoption of Current Corporate Governance System.)

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

The Company implements all of the principles of Japan's Corporate Governance Code.

Disclosure Based on each Principle of the Corporate Governance Code Update

[Principle 1-4: Cross-Shareholdings]

The Company has established a basic policy to reduce cross-shareholdings. The Company's Board of Directors will thoroughly review regular reports it receives to determine whether the stock held will benefit the management of the PILOT Group over the medium to long term in consideration of factors such as transactions with the company issuing the stock and the economic rationale for holding it based on the potential returns and associated risks as well as its business strategy, its relationships with business partners and other factors. If the Board of Directors concludes it is not necessary to hold a stock, it will consider selling it. The Company's policy is to hold shares of companies' stock only if it believes that doing so is necessary for the continuity of

its business and the enhancement of its corporate value over the medium to long term. The Company's policy is to hold shares of companies' stock only if it believes that doing so is necessary for the continuity of its business and the enhancement of its corporate value over the medium to long term.

When exercising voting rights associated with cross-shareholdings, while respecting the management policies of the companies issuing the stocks, decisions are made based on criteria such as whether the proposal will contribute to the Company's sustainable growth and enhance its corporate value over the medium to long term, or whether the proposal will benefit shareholders and investors over the medium to long term.

[Principle 1-7: Related Party Transactions]

The Company's Board of Directors has stipulated that it shall pass resolutions regarding any competitive transactions or conflict of interest transactions involving its officers in accordance with the Rules of the Board of Directors. The Company's Audit & Supervisory Committee has stipulated that it shall pass resolutions regarding any conflict of interest transactions involving the Company's Directors in accordance with the Rules of the Audit & Supervisory Committee. In accordance with the Accounting Standard for Related Party Disclosures and the Guidance on Accounting Standard for Related Party Disclosures, the Company conducts an annual review to identify and investigate related parties that may affect its financial position and operating results. It assesses whether there are any transactions with these related parties and evaluates the significance of any transactions with the related parties. If there are any transactions that require disclosure, the Company discloses them in a timely and appropriate manner.

[Supplementary Principle 2-4-1: Ensuring Diversity in the Promotion of Core Human Resources, etc.]

The Company will enhance diversity by promoting women, foreign nationals and employees hired mid-career to managerial positions to leverage the diversity of its workforce as a strength that allows it to adapt to a rapidly changing market environment.

The Company has not established specific numerical targets at present, such as percentages of women, foreign nationals or people hired mid-career in managerial positions, as it is in the process of developing candidates for these roles. The Company plans to set medium-term numerical targets while evaluating the progress of its human resource development efforts.

(1) To advance the appointment of women to managerial positions, the Company is working to secure and develop women as candidates for these positions. The Company's immediate goal is for women to comprise 50% of all new hires. In FY2024, the Company achieved this target. Women were 50% of all new hires. The Company is committed to increasing the number of women appointed to managerial positions.

(2) To promote the appointment of foreign nationals to managerial positions, the Company is working to secure and develop people with foreign nationalities as candidates for these positions. The Company's immediate goal is to hire an average of more than one foreign national per year. In FY2024, the Company achieved this goal. The Company is committed to advancing the promotion of foreign nationals to managerial positions.

(3) To advance the promotion of people hired mid-career to managerial positions, the Company is working to secure and develop these people as candidates for these positions. In FY2024, the Company hired 48 employees mid-career (including people hired as regular employees). The Company is committed to advancing the promotion of employees hired mid-career to managerial positions.

As the working environment changes significantly and new work styles become more common due to the labor shortage and

changing work values, the Company is working to ensure that its employees are highly motivated and able to have diverse career paths and work styles.

[Principle 2-6: Roles of Corporate Pension Funds as Asset Owners]

The Company has implemented an entrepreneur-type defined-benefit corporate pension plan. In January 2025, it introduced a corporate defined-contribution pension plan.

(1) The assets of the entrepreneur-type defined-benefit corporate pension plan are managed and invested in accordance with asset management contracts with trust banks and life insurance companies that have declared their acceptance of the Stewardship Code. The investment of the reserves of the corporate pension plan helps employees create stable assets and also affects the Company's financial condition. Accordingly, the Company has established the Retirement Benefits Council whose members include the general managers of the finance and human resources divisions and labor union leaders who represent the beneficiaries. This council examines asset management and monitors the investment management of trust banks and life insurance companies in collaboration with investment consultants.

(2) For the corporate defined-contribution pension plan, a wide range of suitable investment products is selected to ensure employees are able to stably accumulate assets. The Company provides asset management training to all employees.

[Principle 3-1: Full Disclosure]

Listed companies are expected to disclose information properly as required by law, ensure the transparency and fairness of their decision-making processes, and effectively govern their corporations. The Company discloses the following information and proactively disseminates information.

(i) Company objectives (e.g., business principles), business strategies and business plans

The PILOT Group aspires to support writing around the world while supporting people, society and culture in areas other than writing through the practice of our five guiding principles which encompass our founding spirit and serve as our principles of conduct, based on our Purpose, "Our Creations Inspire Creativity." The PILOT Corporation's Guiding Principles of are posted on the Company's website. The PILOT Group's long-term direction is defined by its 2030 Vision, which was established by back-casting from the goals it aims to achieve based on its Purpose. To achieve the 2030 Vision, the Company has formulated the 2025–2027 Medium-Term Management Plan and is currently executing it. An outline of the plan is included in the securities report. It is also available on the Company's website.

https://corp.pilot.co.jp/english/ir/

(ii) Basic views and policies on corporate governance based on each of the principles of the Code

Basic views on corporate governance are described in "I. 1 Basic Views" of this Report.

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

The Board of Directors' policy and procedures for determining the remuneration for senior management (Executive Officers) and Directors are outlined in the section titled "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" under "Director Remuneration" in section II. 1. Organizational Composition and Operation of this report.

(iv) Policies and procedures by which the Board of Directors appoints and dismisses senior management and nominates candidates for Director

The Company's policy is to nominate Director candidates and appoint senior managers (Executive Officers) who possess extensive experience and a deep understanding of management. These individuals must be capable of fulfilling the duties and responsibilities of their positions and effectively executing the management mandates from shareholders.

According to this policy, the Board of Directors delegates the responsibility of drafting a list of Director candidates to the Representative Director and President. This list is subsequently reviewed by the Nomination and Remuneration Advisory Committee, an advisory body to the Board of Directors, which subsequently presents its recommendations regarding the list to the Board of Directors who then passes a resolution regarding these candidates. The Directors are then elected during a General Meeting of Shareholders.

Director candidates who will be Audit & Supervisory Committee Members must be individuals who possess relevant experience, skills, and essential knowledge in the areas of finance, accounting and law. These candidates are selected with the approval of the Audit & Supervisor Committee and the Nomination and Remuneration Advisory Committee reviews these candidates and subsequently presents its recommendations regarding the candidates to the Board of Directors who then passes a resolution regarding the candidates. The Directors who are Audit & Supervisory Committee Members are then elected during the General Meeting of Shareholders.

The Representative Director and President creates a list of candidates for senior management positions (Executive Officers) in accordance with the Company's policies. A proposal on these candidates is then presented to the Nomination and Remuneration Advisory Committee. The Board of Directors then makes final decisions regarding senior management appointments based on the recommendations of the Nomination and Remuneration Advisory Committee.

The dismissal policy is that Directors or senior managers (Executive Officers) are dismissed primarily in the following circumstances: (i) the Director or senior manager has engaged in misconduct, such as the violation of laws, regulations or the Articles of Incorporation, (ii) the Director or senior manager is experiencing mental or physical incapacitation that impairs their ability to perform their duties, and a recovery is not expected, (iii) the Director or senior manager has been evaluated as not adequately fulfilling their responsibilities based on performance results or other appropriate assessments. In these circumstances, procedures similar to those used for appointments are followed.

(v) Explanation of individual appointments/dismissals and nominations when the Board of Directors appoints and dismisses senior management and nominates candidates for Director in accordance with (iv) above

The Board of Directors resolves to appoint or dismiss a CEO based on the established appointment or dismissal criteria after receiving recommendations from the Nomination and Remuneration Advisory Committee, which discusses these matters. The Company discloses the reasons for its nomination of candidate Directors in the explanation of the proposal for the election of Directors in the notice of the convocation of the General Meeting of Shareholders.

If the Company dismisses a senior manager, it explains the reasons for the dismissal.

[Supplementary Principle 3-1-3: Initiatives for sustainability, etc.]

The Company implements initiatives to address material sustainability issues. These initiatives are described in the securities report.

The Company has formulated medium- to long-term plans for investing in human resources and intellectual property. These plans are included in the 2030 Vision and the 2025–2027 Medium-Term Management.

https://corp.pilot.co.jp/english/ir/

In March 2023, the Company expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The Company describes its initiatives to address climate change in its securities report. The Company will continue to identify risks and profit opportunities related to climate change and implement relevant initiatives while continually enhancing the information it discloses.

https://corp.pilot.co.jp/english/sustainability/environment/climate/

To achieve its 2030 Vision, the Company is investing in its human resources. It is implementing initiatives related to human resources guided by the human resource strategies established in 2023. Our goal is to evolve into "an organization that showcases its creativity while inspiring the creativity of the users of its products." Information on the progress of these initiatives can be found in the Company's securities report.

https://corp.pilot.co.jp/english/ir/library/kabutsu.html

To achieve the 2030 Vision, the Company invests in intellectual property for the following purposes:

(1) Collaboration with the product planning and development divisions

(2) Strengthening of intellectual property rights in Japan and abroad

(3) Handling of counterfeit products abroad

(4) Exploration of new business fields and models by analyzing competitive and market environments, including the analysis of intellectual property held by the Company and its competitors through IP landscaping

(5) Using reward systems to more effectively utilize human resources

The Company is actively promoting its product planning and sales promotion initiatives while enhancing the functions of its research and development centers. To protect its technologies, including its product and technology strategies, the Company is investing in the strengthening of its intellectual property rights in Japan and internationally.

[Supplementary Principle 4-1-1: Roles and Responsibilities of the Board of Directors (Clarification of Scope of Matters Delegated to Management) and Disclosure of an Outline]

The scope of the Company's Board of Directors decision-making abilities is governed by laws and regulations and the Articles of Incorporation. Additionally, the Rules of the Board of Directors stipulate important matters it should make decisions and pass resolutions on. The Board of Directors delegates authority for the execution of business operations to the Directors through resolutions, as permitted by law, enhancing the agility and flexibility of the Company's execution of business.

[Principle 4-9: Independence Standards and Qualification for Independent Outside Directors]

The Company's Board of Directors has established independence standards that effectively ensure the independence of

independent Outside Directors based on the independence criteria set by the financial instruments exchange. The independence standards are publicly available on the websites of the Tokyo Stock Exchange and the Company. The Board of Directors is committed to nominating independent Outside Director candidates who it expects will contribute to the frank, active and constructive discussions of the Board of Directors based on the independence standards.
https://corp.pilot.co.jp/english/ir/

[Supplementary principle 4-10-1: Nomination and Remuneration Advisory Committee]

The Nomination and Remuneration Advisory Committee, the majority of whose members are independent Outside Directors, has been established under the Board of Directors. The Committee strengthens the independence and objectivity of the Board of Directors over the nomination and remuneration of senior management and Directors and accountability. The Nomination and Remuneration Advisory Committee is chaired by an independent Outside Director, ensuring its complete independence.

The Nomination and Remuneration Advisory Committee acts as an advisory body to the Board of Directors, collaborating with the Board and providing appropriate advice. The committee prepares reports for the Board of Directors regarding the nomination, appointment and dismissal of Directors and Executive Officers. These reports include the consideration of diversity, including gender diversity, and candidates' skills. Additionally, the committee submits reports regarding Director remuneration and the remuneration system for Directors.

[Supplementary Principle 4-11-1: View on the Appropriate Balance between Knowledge, Experience, and Skills of the Board of Directors, and on Diversity and Appropriate Board Size]

(1) The Company's Board of Directors has identified the skills that are necessary in light of the Company's business strategies. The Board of Directors has established guidelines regarding the balancing of the knowledge, experience, and abilities of the Board as a whole, as well as its diversity and size. It has provided a skills matrix that outlines the roles that are expected of each Director based on their skills.

(2) The independent Outside Directors include a person who has management experience at other companies

[Supplementary Principle 4-11-2: Roles and Responsibilities of Directors and Concurrent Positions of Officers]

If a Director, including Outside Directors, concurrently holds a position as an officer of another company, the Director and President must approve this concurrent position. This ensures that Directors can concentrate on their duties and dedicate the time and effort necessary to fulfill their roles and responsibilities.

Current information about concurrent positions can be found in the Notice of Convocation of the General Meeting of Shareholders (reference documents), the securities report and on the Company's website.
https://corp.pilot.co.jp/english/ir/

[Supplementary Principle 4-11-3: Analysis and Evaluation of Effectiveness of the Board of Directors as a Whole]

Every year, the Company's Board of Directors analyzes and assesses its effectiveness using the evaluation processes and methods outlined below. Each Director's self-assessment is also taken into account. The goal of this approach is to enhance the objectivity and transparency of management and improve the effectiveness of the corporate governance system.

[Issues Identified in the FY2023 Effectiveness Assessment]

(1) Members of the Board of Directors

(2) Clarification of supervisory and executive roles

(3) Strengthening of discussions on management policies and strategies

(4) Review of easily understandable materials

(5) Improvement of prior explanations and dialogue with Outside Directors

(6) Strengthening of explanations to investors

[Results of Main Efforts in FY2024 to Address Issues Identified in the FY2023 Effectiveness Assessment]

(1) Consideration of the appropriate number of directors

(2) Consideration and review of the appropriate number of Audit & Supervisory Committee Members

(3) Developing a workplace environment conducive to the advancement of female directors, and formulating plans to hire female general manager candidates

(4) Full-scale launch of succession process for management human resource development program

(5) Delegation of authority to the executive side through revision of the executive guidelines (standards for submission of agenda items to the Board of Directors)

(6) Addition of "matters for consultation" to the Board regulations and discussions on management strategies and business plans as "matters for consultation"

(7) Clarification of issues by reviewing the format of Board meeting materials

(8) Consideration of increasing the number of Board of Directors Secretariat staff (one person) and establishing a dedicated organizational unit

(9) Informal meetings with Outside Directors

(10) Briefings for investors, mainly in the IR Office

[Effectiveness Evaluation Processes and Methods for FY2024]

In this fiscal year effectiveness assessment, external organizations were appointed in each assessment process to ensure independence and objectivity. The assessment process and methods were as follows.

1. Evaluation period: From January 2024 to December 2024

2. Design of evaluation items and preparation of questionnaires

3. Survey of all 13 Directors and interviews of the Representative Director and President and the Outside Directors (excluding Audit & Supervisory Committee Members)

4. Compilation and analysis of questionnaire and interview responses

5. Self-assessment by the Board of Directors after discussion of analysis results

[Evaluation items]

1. Roles and functions of the Board of Directors

2. Size and composition of the Board of Directors

3. Operation of the Board of Directors

4. Development of internal control, etc.

5. Utilization of Outside Directors

6. Relationship with shareholders and investors

[Outline of evaluation results]

The Company’s Board of Directors has enhanced its supervisory functions through initiatives such as changes to the organizational structure and the transfer of authority to the executive side. In this fiscal year, it was found that the Board of Directors had improved its functions as a result of measures taken to address issues identified in the previous year's effectiveness assessment mentioned above. Based on confirmation of the items listed in the report, it was found that the Board of Directors has ensured its effectiveness. Going forward, the Board will continue to strengthen initiatives related to its identified strengths and ensure that it continues to function effectively.

● Strengths

(1) Dialogue with shareholders and investors is appropriately reported to the Board of Directors

(2) Internal controls are properly managed

At the same time, the following issues to be addressed to enhance the functions of the Board have been identified.

● Issues

(1) Discussions relating to management strategy

(2) Members of the Board of Directors

(3) Discussions on nomination strategy, including a president succession plan

(4) Group governance of overseas subsidiaries

[Future Initiatives]

The Company’s Board of Directors will take the following actions to enhance its monitoring function and overall effectiveness.

(1) Delegation of authority to the executive side with regard to important decisions on execution of business

(2) Discussions on management strategies such as business portfolio and sustainability etc.

(3) Enhancement of advance explanations to Outside Directors

(4) Optimization of the number of directors and increase in the ratio of Outside Directors

(5) Recruitment and training of female director candidates

(6) Continuation of the management human resource development program as part of the president succession plan

(7) Further enhancement of the reporting system for reporting to the Board of Directors by subsidiaries, including overseas subsidiaries

[Supplementary Principle 4-14-2: Training Policy for Directors]

The Company provides training opportunities including external seminars and guest lectures to enable Directors to acquire or appropriately update their knowledge which is essential for them to fulfill their roles and responsibilities as part of their development plan. The Company explains the Group's history and business to Outside Directors to enhance their understanding of the PILOT Group when they begin their tenure. The Company also provides opportunities to visit its business sites. When

Executive Officers who are members of senior management take up their positions, the Company provides them with the opportunity to participate in a training retreat organized by a third-party organization at the Company's expense.

[Principle 5-1: Policy for Constructive Dialogue with Shareholders]

The Company strives to foster a constructive dialogue with shareholders to achieve sustainable growth and enhance its corporate value over the medium to long term. The Company established the IR Office in July 2024 to enhance communication with shareholders and investors. A Director oversees the Office. Team members assigned to the office collaborate with relevant departments to fulfill requests.

[Status of dialogue with shareholders, etc.]

(1) Internal structure

The IR Office, which is led by the Director in charge of investor relations, is responsible for engaging in dialogue with shareholders and investors.

(2) Methods of dialogue

The Company shares information about the condition of its business and its activities with securities analysts and investors at shareholders' meetings and individual meetings with them following its quarterly earnings announcements. The Company publishes notices of the convocation of its annual general meetings of shareholders, financial results, its medium-term management plans, securities reports and other documents. The Company aims to release both Japanese and English versions of documents at the same time whenever possible. The Representative Directors present the Company's financial results at results briefings held by the Company twice a year.

(3) Main themes of dialogues and matters of interest to shareholders

· Markets for writing instruments in Japan and overseas

·Effect of the increase of raw material prices and the potential for cost pass-through

· Effect of exchange rates

· Progress of Medium-Term Management Plan

· Shareholder return and capital policy

(4) Feedback on dialogues

Opinions, expectations, and concerns of securities analysts and investors gathered through dialogue with them are reported quarterly to the Board of Directors. Feedback from securities analysts and investors is also reported to the Executive Officers and related departments. The Company references their feedback in the management of the Company and reviews the information it discloses to improve it based on the feedback.

Action to Implement Management That Is Conscious of Cost of Capital and Stock Price

Content of Disclosure	Disclosure of Initiatives (Initial)
Availability of English Disclosure	Available

Explanation of Actions

The Company has formulated and published its 2025–2027 Medium-Term Management Plan. The plan states that the Company is in a phase for "reinforcing the Group's management foundation for adapting to changes." The Company aims to achieve "ceaseless evolution" by expanding its core writing instrument business and creating new businesses to achieve its 2030 Vision. To achieve this goal, the Company has established financial targets related to the cost of capital. These targets are consolidated net sales of 145.0 billion yen, an operating margin of 16% or higher, an ROE of 11% or higher and a total payout ratio of 50% or higher. While the cost of shareholders' equity is recognized as 6.5% to 7.5%, we will move ahead with initiatives to widen the spread between it and ROE, including cost control and capital efficiency improvement. Additionally, the Company will flexibly acquire treasury shares in response to changes in the business environment to improve capital efficiency.
https://corp.pilot.co.jp/english/ir/

2. Capital Structure

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

Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,156,900	10.78
Custody Bank of Japan, Ltd. (Trust Account)	2,341,000	6.07
MUFG Bank, Ltd.	1,718,600	4.45
Custody Bank of Japan, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd.	1,602,000	4.15
Asahi Mutual Life Insurance Company	1,134,000	2.94
Mitsubishi UFJ Trust and Banking Corporation	1,100,400	2.85
Shochiku Co., Ltd.	972,000	2.52
KOREA SECURITIES DEPOSITORY-SHINHAN INVESTMENT	955,900	2.47
The Dai-ichi Life Insurance Company, Limited	900,000	2.33
Employees' Stockholding	831,300	2.15

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

Supplementary Explanation

The status of major shareholders above is as of December 31, 2024.

1. The Company holds 2,346,321 shares of its own treasury shares, but it is not included in the list of major shareholders above.

2. Treasury share is excluded in the calculation of the percentages in the table above, which are rounded down to the second decimal place.

3. The shares held by the Custody Bank of Japan, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd. are trust property. Mizuho Bank, Ltd. has entrusted shares in the Company to the Custody Bank of Japan as a retirement benefit trust. The voting rights for these shares will be exercised according to the directives of Mizuho Bank, Ltd. In addition to these shares, Mizuho Bank, Ltd. holds 1,600 shares under its name.

3. Corporate Attributes

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

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

—

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

—

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 Supervisory Committee

Directors

Number of Directors Stipulated in Articles of Incorporation	18
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	10
Election of Outside Directors	Elected
Number of Outside Directors	5
Number of Independent Directors Update	5

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Masanobu Muramatsu	CPA											
Misuzu Shibata (The officially registered name of Misuzu Shibata is Misuzu Koyama.)	Lawyer											
Hiroshi Kawano	From another company											
Toshizo Kamiyama	CPA											
Tsugukiyo Fujita	Lawyer											

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

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) Update

Name	Membership of Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Masanobu Muramatsu		○	Certified public accountant Standing Advisor, Azabu Partners Tax & Accounting Co.	He provides relevant remarks and suggestions that are essential in the discussion of agenda items and making of management decisions during Board of Directors meetings drawing on his extensive knowledge, experience, and broad insight as a certified public accountant and corporate auditor of an operating company. From March 30, 2022 to March 28, 2024, he provided appropriate and necessary remarks regarding the Company's compliance system during Audit & Supervisory Committee meetings as an Outside Director and Audit & Supervisory Committee Member. He meets the independence criteria established by the Tokyo Stock Exchange. The Company believes there is no risk of a conflict of interest between him and the general shareholders. The Company has thus designated him as an independent director.
Misuzu Shibata*		○	Partner, Attorney at law, NS Law Office Outside Director, DELICA FOODS HOLDINGS CO., LTD. Outside Director, Sompo Holdings, Inc.	She offers relevant remarks and suggestions that are essential for discussing agenda items and making management decisions at Board of Directors meetings, drawing on her extensive knowledge, experience, and broad insights as an attorney at law and an Outside Director of business corporations. As a member of the Nomination and Remuneration Advisory Committee, she provides her opinions about the nomination and remuneration of Directors to the Board of Directors. She meets the independence criteria established by the Tokyo Stock Exchange. The Company believes there is no risk of a conflict of interest between her and the general shareholders. The Company has thus designated her as an independent director.

Hiroshi Kawano		○	Representative, Office K, LLC Outside Director, Interworks Confidence Inc.	He offers relevant remarks and suggestions that are essential for discussing agenda items and making management decisions at Board of Directors meetings, drawing on his extensive knowledge, experience, and broad insights as a director and officer at private operating companies. We anticipate he will continue to oversee overall management and provide advice by leveraging his experience as a management member at operating companies and his wide-ranging insights. The Company has concluded that he meets the independence criteria established by the Tokyo Stock Exchange and that there is no risk of a conflict of interest between him and general shareholders. The Company has thus designated him as an independent director.
Toshizo Kamiyama	○	○	Certified public accountant Certified public tax accountant Representative Partner, Kamiyama Accounting TAX CO. Audit & Supervisory Board Member, ATL Systems, Inc. Representative Partner, ALT Tsukiji Audit LLC Audit & Supervisory Board Member, Heibonsha Co., Ltd.	He examines the legality of the Directors' execution of business, works on the development of accounting systems and the establishment of an internal control system, and provides relevant remarks and suggestions that are essential for the discussion of agenda items and making of management decisions during Board of Directors meetings drawing on his extensive knowledge, experience and broad insight as a certified public accountant, certified tax accountant and corporate auditor of an operating company. He also provides relevant and necessary remarks regarding the Company's compliance system and other matters during Audit & Supervisory Committee meetings. He meets the independence criteria established by the Tokyo Stock Exchange. The Company believes there is no risk of a conflict of interest between him and the general shareholders. The Company has thus designated him as an independent director.

Tsugukiyo Fujita	○	○	Partner, Attorney at law, Nagatacho Law Office	He provides legal insight as a lawyer during Board of Directors meetings to ensure the decisions made by the Board are adequate and appropriate. He also provides relevant and necessary remarks regarding the Company's compliance system and other matters during Audit & Supervisory Committee meetings. He meets the independence criteria established by the Tokyo Stock Exchange. The Company believes there is no risk of a conflict of interest between him and the general shareholders. The Company has thus designated him as an independent director.

*The officially registered name of Misuzu Shibata is Misuzu Koyama.

Supervisory Committee

Composition of Supervisory Committee and Attributes of the Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Committee Chair
Supervisory Committee	3	1	1	2	Inside Director

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

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

The Audit & Supervisory Committee Secretariat has been established to assist the Audit & Supervisory Committee in its duties. Staff who assist the work of the Audit & Supervisory Committee must comply with instructions and orders from the Audit & Supervisory Committee when assisting the Audit & Supervisory Committee in its duties and these staff should not receive instructions and orders from Directors (excluding Directors who are Audit & Supervisory Committee Members). Personnel matters such as the appointment and transfer of staff who assist the work of the Audit & Supervisory Committee, require the consent of the Audit & Supervisory Committee.

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

The Audit & Supervisory Committee leverages the functions of the Audit Department to perform systematic audits. The committee requests reports from the Accounting Auditor regarding audit methods and results as well as the committee exchanges information individually as appropriate to promote cooperation. The committee receives reports from the Audit Department about the development and functioning of internal controls.

The Audit & Supervisory Committee regularly meets with the Accounting Auditor and Outside Directors who are not Audit & Supervisory Committee Members to ensure information and opinions are sufficiently exchanged.

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

	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

The Company has established the Nomination and Remuneration Advisory Committee, the majority of whose members are independent Outside Directors, which reports to the Board of Directors. The purpose of the committee is to enhance the independence, objectivity and accountability of the Board of Directors regarding the nomination and remuneration of senior management (Executive Officers) and Directors. The Nomination and Remuneration Advisory Committee is chaired by an independent Outside Director, ensuring its complete independence.

The Nomination and Remuneration Advisory Committee acts as an advisory body to the Board of Directors, collaborating with it and providing appropriate advice. The committee prepares reports regarding the nomination, appointment, and dismissal of Directors and Executive Officers. These reports include the consideration of diversity, including gender diversity, and candidates' skills. Additionally, the committee submits reports on decisions regarding Director remuneration and the remuneration system for Directors.

Matters Concerning Independent Directors

Number of Independent Directors Update	5

Other Matters Concerning Independent Directors

The Company's Board of Directors has established independence standards that effectively ensure the independence of independent Outside Directors based on the independence criteria set by the financial instruments exchange. The independence standards are publicly available on the websites of the Tokyo Stock Exchange and the Company. The Board of Directors is committed to nominating independent Outside Director candidates who it expects will contribute to the frank, active and constructive discussions of the Board of Directors based on the independence standards.

https://corp.pilot.co.jp/ir/

Incentives

Implementation Status of Measures related to Incentives Granted to Directors	Introduction of Performance-linked Remuneration Scheme / Other

Supplementary Explanation for Applicable Items

The Company has implemented a performance-linked share-based remuneration plan for Directors (excluding Directors who are Audit & Supervisory Committee Members, Outside Directors, and non-residents of Japan). This share-based remuneration is offered as year-end performance-linked remuneration and a medium- to long-term incentive. The objective is to enhance the Directors' commitment to improving results over the medium to long term and increasing corporate value. For details, refer to "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" in this report.

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

1. Directors (excluding Directors who are Audit & Supervisory Committee Members)

The maximum annual basic remuneration and year-end remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members) is set at 500 million yen (including a maximum of 50 million yen for Outside Directors; the remuneration for Directors does not include the employee salaries of Directors who are also employees). This remuneration limit was established at the 20th Annual General Meeting of Shareholders on March 30, 2022 based on the discussions and recommendations of the Nomination and Remuneration Advisory Committee.

2. Directors who are Audit & Supervisory Committee Members

Directors who are Audit & Supervisory Committee Members receive only basic remuneration, which reflects their roles and independence. The maximum annual remuneration for Directors who are Audit & Supervisory Committee Members was set at 100 million yen at the 20th Annual General Meeting of Shareholders on March 30, 2022, based on the discussions and recommendations of the Nomination and Remuneration Advisory Committee. Remuneration for Directors who are Audit & Supervisory Committee Members is determined through discussions among Directors who are Audit & Supervisory Committee Members on the condition that the amount of remuneration is below the upper limit established by resolution during a General Meeting of Shareholders.

The information above is included in the securities report and the business report, as well as on the Company's website.
https://corp.pilot.co.jp/english/ir/

Policy on Determining Remuneration Amounts and Calculation Methods Update	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

1. Director

(1) Basic policy

The Company’s remuneration plan for Directors (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members; the same shall apply hereinafter) consists of basic remuneration, which is a fixed remuneration, and year-end remuneration and share-based remuneration, which are linked to the business performance of each fiscal year. The Company’s basic policy is to calculate the basic remuneration based on the Remuneration Standards Table for Officers in accordance with the duties and responsibilities of each Officer, to determine the year-end remuneration, which is linked to the Company’s business performance, by a resolution of the Board of Directors after consultation with the Nomination and Remuneration Advisory Committee within the limit of the remuneration amount resolved at the general meeting of shareholders, and to determine the share-based remuneration in accordance with the Share Delivery Rules within the limit of the amount of remuneration and the number of shares resolved at the general meeting of shareholders. Outside Directors and Directors who are Audit & Supervisory Committee Members are paid only basic remuneration from the viewpoint of their roles and independence, and the amount of remuneration for Directors who are Audit & Supervisory Committee Members is determined through discussions among Directors who are Audit & Supervisory Committee Members.

(2) Policy for determining the amount of basic remuneration (monetary remuneration) for individual Directors

The basic remuneration shall be a monthly fixed remuneration, and the amount of the remuneration shall be determined in accordance with the position, responsibilities, and term of office, taking into consideration the level at other companies, the Company’s business performance, the level of employee salaries, and other factors comprehensively.

(3) Policy for determining the details of performance-linked remuneration, etc. and non-monetary remuneration, etc., and the method for calculating the amount or number of such remunerations

The performance-linked remuneration consists of year-end remuneration (monetary remuneration) and share-based remuneration (non-monetary remuneration). The Company calculates the base amount for year-end remuneration based on consolidated ordinary profit and determines year-end remuneration according to consolidated net sales and operating profit. Year-

end remuneration is paid around the same time each year. The share-based remuneration consists of a fixed portion and a performance-linked portion, and is determined in accordance with the provisions of the Share Delivery Rules. The fixed portion is determined according to the position. The performance linked portion is determined in consideration of consolidated net sales, operating profit, and ROE, as well as social value indices for each fiscal year. In principle, shares calculated in accordance with performance are delivered after the completion of the Medium-Term Management Plan. In addition, the number of the share-based remuneration to be delivered to individual Directors will be determined in accordance with the Share Delivery Rules, and the share-based remuneration will be returned if the prescribed conditions stipulated in the Share Delivery Rules, such as an occurrence of misconduct, are recognized.

The performance indicators are selected for the purpose of making each Officer more aware of the overall consolidated management.

(4) Policy for determining the ratio to the amount of remuneration, etc. for individual Directors

The Company determines the ratio of remuneration for Directors by type by referring to companies that have the same level of business scale or belong to the related industries as the Company. More weight is put on performance linked remuneration for higher positions. The approximate ratio of remuneration, etc. by type (in the case of the President) is as follows: the ratio of basic remuneration to year-end remuneration to share-based remuneration is 6:2:2 (in the case of achieving 100% of the consolidated results forecast).

(5) Policy on delegation of authority to determine individual Directors' remuneration, etc.

The Representative Director and President shall be delegated the authority to determine the specific details of the amount of individual remuneration in accordance with a resolution of the Board of Directors, and the scope of such authority shall include the amount of basic remuneration for each Director and the evaluation and allocation of yearend remuneration based on the performance of the business for which each Director is responsible. The Representative Director and President shall consult the Nomination and Remuneration Advisory Committee on the draft and obtain its report to ensure that such authority is appropriately exercised by the Representative Director and President, and the Representative Director and President who has received the above delegation shall make decisions in accordance with the content of such report. As for share-based remuneration, a certain number of points will be granted in accordance with the provisions of the Share Delivery Rules established by resolution of the Board of Directors after consultation with and with the report from the Nomination and Remuneration Advisory Committee, up to the maximum amount resolved at the general meeting of shareholders separately from the limit of monetary remuneration.

2. Executive Officers

(1) Composition of remuneration

The remuneration plan for Executive Officers is similar to that for Directors (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members; the same shall apply hereinafter). The plan consists of basic remuneration, which is a fixed remuneration, and year-end remuneration and share-based remuneration, which are linked to the business performance of each fiscal year. An amendment to the share-based remuneration plan was approved at the 23rd Annual General Meeting of Shareholders, and a revised share-based remuneration plan was introduced in 2025.

(2) Decision-making process

The Company calculates the basic remuneration for executives based on their duties and experience using a standard remuneration table. Year-end remuneration is decided by the Representative Director and President based on the Company's

performance and the results of the Medium-Term Management Plan. The share-based remuneration consists of a fixed portion and a performance-linked portion, and is determined in accordance with the provisions of the Share Delivery Rules. For the fixed portion, the amount of remuneration is determined in accordance with the position, and for the performance-linked portion, the amount of remuneration is determined in consideration of the business results for each fiscal year.

(3) Indicators associated with performance-linked remuneration

Year-end remuneration is linked to consolidated operating profit and other indicators For the performance-linked portion, the amount of remuneration is determined in consideration of the consolidated net sales, consolidated operating profit, consolidated return on equity (ROE), and social value indices for each fiscal year, and in principle, shares calculated in accordance with performance are delivered after the completion of the medium-term management plan. In addition, the number of the share-based remuneration to be delivered to individual Directors will be determined in accordance with the Share Delivery Rules, and the share-based remuneration will be returned if the prescribed conditions stipulated in the Share Delivery Rules, such as an occurrence of misconduct, are recognized.

Support System for Outside Directors

To ensure information about the company is accurately communicated as per the instructions from the Outside Directors, the Board of Directors Secretariat acts as a liaison and facilitates coordination between the Outside Directors and internal personnel. At the same time, the Audit & Supervisory Committee Secretariat acts as a liaison and facilitates coordination between the Outside Directors who are Audit & Supervisory Committee Members and internal staff.

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

Overview of the corporate governance structure

The Company has adopted the Company with Audit & Supervisory Committee system as its institutional design. To achieve effective corporate governance for shareholders and other stakeholders, the Company has established and maintains the following internal organizations.

1. Board of Directors

The Board of Directors, consisting of ten (10) members (of which three (3) of whom are Audit & Supervisory Committee Members) including five (5) independent Outside Directors, deliberates on and decides important issues related to the Company's management, and supervises overall management including business execution, in accordance with the Rules of the Board of Directors. Delegating authority to Directors within the scope of laws and regulations enables the Board of Directors to clarify the roles of supervision and business execution, expedite the decision-making processes required for business execution, and focus on discussing important issues such as basic management policies and strategies.

2. Audit & Supervisory Committee

The Audit & Supervisory Committee consists of three members, including two (2) independent Outside Directors, one (1) of whom is a full-time Audit & Supervisory Committee Member. The Audit & Supervisory Committee has established a system to ensure independence and effectiveness guided by the Rules of the Audit & Supervisory Committee and related internal rules, and

receives audit reports from the Accounting Auditor. The Audit & Supervisory Committee also audits and supervises decision-making by the Board of Directors and the execution of duties by Directors through organizational audits in cooperation with the Internal Audit Department, by attending meetings of the Board of Directors and other important meetings, by investigating the state of operations and assets, and by exercising authority over the selection and dismissal of the Accounting Auditor, as well as audit fees.

3. Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee, the majority of whose members are independent Outside Directors, has been established as an advisory body to the Board of Directors. The Committee ensures accountability by strengthening the independence and objectivity of the Board of Directors over the nomination and remuneration of senior management (Executive Officers) and Directors. The Nomination and Remuneration Advisory Committee is chaired by an independent Outside Director, ensuring its complete independence.

4. Risk Management Committee

The Company has established a Risk Management Committee, with the aim of appropriately and centrally managing risks relating to the Group's business operations, by identifying uncertainties that may affect the Group's performance and business continuity as risks. The Committee is chaired by Fumio Fujisaki, Representative Director and President. The members of the Committee consist of Directors who also serve as Executive Officers and Executive Officers who are responsible for business execution. Full-time Audit & Supervisory Committee Member also participates as an observer. The Risk Management Committee oversees risk management for the Group, ensures the stable development of its businesses by supervising and directing responses to risks that are judged to be important from an ideal Group-wide perspective, and works to continuously improve the Group's corporate value.

5. Accounting Auditors

The Company has appointed ARK LLC as the Financial > Accounting Auditor for auditing its accounts.

6. Business execution system

- Executive Officer System

The Company has adopted an Executive Officer System to clearly separate management oversight from business execution and to ensure swift, efficient execution of business.

- Executive Management Committee

The Company has established an Executive Management Committee as a deliberative body for making decisions on important issues for business execution. Consisting of Directors who concurrently serve as Executive Officers and Executive Officers in charge of business execution, the Committee's deliberations contribute to more efficient and rapid decision-making.

- Internal Audits

The Audit Department was established to conduct internal audits and to evaluate the effectiveness of internal control over financial reporting of the entire PILOT Group.

- General Managers' Meetings

General managers' meetings, attended by Directors who concurrently serve as Executive Officers, Executive Officers, and the General Managers of each division, help to coordinate and communicate opinions on necessary issues concerning overall management and to share awareness of the current state and other issues.

3. Reasons for Adoption of Current Corporate Governance System

The Company has adopted the Company with Audit & Supervisory Committee system as its institutional design. The reasons for this are as follows.

- To enable the Board of Directors to supervise business execution from an objective perspective, with the Directors who concurrently serve as Executive Officers (Executive Directors) and other Executive Officers making quick and responsible decisions, thereby improving the effectiveness of corporate governance through a clear division of roles.
- To enable the creation of a management base that enables sustainable growth and value creation, by incorporating stakeholder feedback into management.

The Company’s Board of Directors has appointed a diverse group of independent Outside Directors, and has established a governance system that increases objectivity and transparency. In addition, we have established the Nomination and Remuneration Advisory Committee as a voluntary advisory body to the Board of Directors, which makes recommendations to the Board of Directors.

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 sends out the notice of the General Meeting of Shareholders before the statutory deadline. The Company is committed to publishing both Japanese and English versions of the notice of the General Meeting of Shareholders on the Company's website, the Tokyo Stock Exchange's website, and the designated website for posting materials for the General Meeting of Shareholders by the day before the date of the commencement of the electronic provision measures to ensure that the shareholders have sufficient time to review the proposals for the General Meeting of Shareholders. https://corp.pilot.co.jp/english/ir/
Electronic Exercise of Voting Rights	The Company has allowed its shareholders to exercise their voting rights using electromagnetic means since the 18th Annual General Meeting of Shareholders (March 27, 2020).
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 has participated in an electronic voting platform since March 2020, taking into account the percentages of its shareholders that are institutions or foreign investors.
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	The Company prepares an English-language notice of the General Meeting of Shareholders and publishes it on its website, the Tokyo Stock Exchange's website, and the designated website for posting materials for the General Meeting of Shareholders by the day before the start of the electronic provision measures to ensure that shareholders have ample time to review the proposals for the General Meeting of Shareholders. https://corp.pilot.co.jp/english/ir/
Other	The Company's Articles of Incorporation state that the shareholders listed in its shareholders register may exercise their voting rights at the General Meeting of Shareholders. In principle, the Company does not allow beneficial shareholders, such as institutional investors who hold shares in the name of trust banks, to attend the General Meeting of Shareholders, and exercise their voting rights. However, the Company allows them to participate in the meeting without voting rights or speaking rights, provided they submit the necessary documents. The Company participates in an electronic voting platform, allowing beneficial shareholders, such as institutional investors, to exercise their voting rights.

2. Status of IR-related Activities

Update

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	The Company publishes its Disclosure Policy on its website. https://corp.pilot.co.jp/english/ir/policy/	
Regular Investor Briefings held for Analysts and Institutional Investors	The Company holds financial results briefings for securities analysts and institutional investors after announcing its first-half and full-year results. Briefing materials can be found on the Company's website. https://corp.pilot.co.jp/english/ir/	Yes
Online Disclosure of IR Information	The Company publishes a variety of materials on its website, including financial results (in Japanese and English), results presentation materials (in Japanese and English), notices of the General Meetings of Shareholders (in Japanese and English), semiannual securities reports, annual securities reports, timely disclosure materials (in Japanese and English), shareholder newsletters, business reports (abridged English translations of shareholder newsletters), and information about the Company (in Japanese and English). https://corp.pilot.co.jp/english/ir/	
Establishment of Department and/or Placement of a Manager in Charge of IR	IR Division	
Other	The Company has meetings with security analysts, as well as domestic and foreign institutional investors, individually or in small groups following the announcement of quarterly results. The Company organizes factory tours when appropriate.	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	The Company established, by a resolution of the Board of Directors, the PILOT Group Code of Conduct, which outlines its values regarding appropriate collaboration with stakeholders, respect for stakeholders' interests, and sound business ethics. Based on this code, all officers and employees are dedicated to fostering a fair and sincere corporate culture through sensible corporate behavior to fulfill the Company's responsibilities to society and its corporate mission.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	The Company has established five guiding principles that reflect its commitment to social responsibility. They are (i) three forces in balance with each other, (ii) shared joys and shared sorrows, (iii) overcoming difficulties, (iv) one step, one day, and (v) a very sincere approach. These principles embody the Company's philosophy and code of conduct. Based on these principles, the Company has defined the PILOT Group's Purpose as "Our Creations Inspire Creativity" as well as has formulated the 2030 Vision and the 2025–2027 Medium-Term Management Plan. The Company has established fundamental management policies to uphold these principles. They are the PILOT Group Sustainability Policy, PILOT Group Human Rights Policy, PILOT Group Anti-Corruption and Bribery Policy, PILOT Group Quality Policy, PILOT Group Sustainable Procurement Policy, PILOT Group Environmental Policy, Basic Internal Control Principles, and PILOT Group Information Security Policy. The Company is dedicated to managing its business, focusing on creating value for diverse stakeholders to enhance its corporate value over the medium to long term.

IV. Matters Concerning the Internal Control System

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

Regarding a system for ensuring appropriateness of the Company's operations, the Board of Directors passed a resolution on the Basic Internal Control Principles, and the system is being put in place. The resolution is to be reviewed on an ongoing basis in response to changes in the business environment and other events.

An outline of the Basic Internal Control Principles is as follows.

1. System for ensuring that the execution of duties by Directors, Executive Officers, and other employees complies with laws, regulations, and our Articles of Association.

(1) The Company's Directors, Executive Officers and other employees will promote compliance with high ethical standards, based on the Basic Compliance Regulations and the PILOT Group Code of Conduct established by the Company.

(2) The Internal Audit Division audits the state of compliance based on the Provisions.

(3) To discover compliance issues at an early stage, the Company establishes an Internal Reporting System.

The Company operates the system properly, ensuring the privacy of whistleblowers is fully respected. Any unfavorable treatment of whistleblowers is strictly prohibited.

(4) The Internal Audit Division regularly reports on any issues to the Board of Directors, the Audit & Supervisory Committee, and the Executive Management Meeting.

(5) At the same time, the General Affairs Department oversees compliance initiatives and conducts employee training in cooperation with related divisions.

2. System to store and manage information on the execution of duties by Directors, Executive Officers, and other employees

Information on the execution of duties by Directors, Executive Officers, and other employees is stored and managed in documents or electromagnetic recording media ("Documents, etc.") under the Trade Secrets Management Regulations, Information Security Management Regulations, Document Management Regulations, and related bylaws.

Directors, Executive Officers, and other employees can access the information on their execution of duties recorded in the Documents, etc. whenever there is a business need.

3. Regulations and other systems for managing the risk of losses

(1) The Company aims to manage risks that may affect the management of the Company and the subsidiaries and minimize losses in accordance with the PILOT Group Risk Management Regulations. The Company establishes a Risk Management Committee according to the PILOT Group Risk Management Regulations to enhance its capacity to address, avoid, and mitigate risks.

(2) If a risk materializes, the Company will form a task force responsible for quickly deciding on and implementing specific measures to mitigate losses in accordance with the Enterprise Risk Management Regulations, thereby responding to the risk appropriately.

(3) The Internal Audit Division audits the state of risk management in each division and regularly reports on these activities to the Board of Directors, the Audit & Supervisory Committee, and the Executive Management Meeting.

4. System for ensuring that the execution of duties by Directors, Executive Officers, and other employees is done efficiently

(1) The Board of Directors establish company-wide targets to be shared by Directors, Executive Officers, and other employees.

(2) The Board of Directors and the Executive Management Meeting regularly evaluate the progress of these targets and has established a system to promote the efficiency of company-wide operations.

(3) Directors must establish a system that enables them to completely fulfill their roles and responsibilities related to corporate governance based on the Rules of the Board of Directors established by the Company.

(4) The Company has adopted an Executive Officer System to separate management oversight from execution and to ensure that business is executed quickly. Executive Officers execute their duties sincerely, faithfully, and efficiently based on instructions and orders from the President, who has been delegated with the authority to oversee business execution by the Board of Directors and the Representative Director and President based on the Executive Officer Regulations established by the Company.

(5) Directors, Executive Officers and other employees execute their duties appropriately and efficiently in accordance with the Separation of Duties Regulations, Administrative Authority Regulations, and Internal Approval Process Rules.

5. System for ensure appropriateness of operations of the corporate group, including the Company and subsidiaries

(1) The Company gives the Directors or Executive Officers of the Company who are responsible for the operations of the Company and subsidiaries the authority and responsibility to establish compliance and risk management systems, guided by the Basic Compliance Regulations, the PILOT Group Code of Conduct, and the Enterprise Risk Management Regulations established by the Company.

(2) The Company requires its subsidiaries to report to it on the execution of their duties in accordance with the Company's PILOT Group Company Management Regulations in a system to report any issues regarding the execution of duties by their Directors, etc.

(3) Subsidiaries understand the purposes of the PILOT Group Risk Management Regulations and the Enterprise Risk Management Regulations established by the Company, establish regulations and other systems concerning the management of risk of loss, and respond to business risks that are affected by laws, regulations, and the environment surrounding each company. In addition, if the risk of loss becomes apparent at a subsidiary, the subsidiary is required to report this situation to the Company based on the PILOT Group Company Management Regulations. The related departments analyze the likelihood of the risk occurring and the impact of that risk according to the reports from subsidiaries, then identify those risks that could have a significant impact on management and determine whether priority countermeasures should be taken.

(4) To ensure the effectiveness of the execution of duties by Directors, etc. of subsidiaries, the Group shares the Purpose, the Guiding Principles, and management plans, etc., and each subsidiary sets its own targets. The Company’s Board of Directors and the Executive Management Meeting regularly evaluate the state of progress of these targets and establish a system to achieve company-wide efficiency, which includes promoting improvements. Subsidiaries encourage management based on corporate governance that follows the PILOT Group Company Management Regulations.

(5) The Company specifies the execution of management based on compliance in the PILOT Group Company Management Regulations, Basic Compliance Regulations, and PILOT Group Code of Conduct. This system ensures that the execution of duties by Directors, etc. of subsidiaries complies with laws, regulations, and the Articles of Association, and that each subsidiary is managed based on that compliance.

(6) The Internal Audit Division, in cooperation with other related divisions, provides instructions and support to improve the effectiveness of internal controls at subsidiaries based on the Principles.

6. Issues concerning employees who assist with the duties of the Audit & Supervisory Committee, independence of these employees from Directors (excluding Directors who are Audit & Supervisory Committee Members), and other issues to ensure the effectiveness of instructions given to these employees

(1) The secretariat of the Audit & Supervisory Committee assists the Audit & Supervisory Committee.

(2) Personnel matters such as the appointment and transfer of employees who assist the work of the Audit & Supervisory Committee, require the consent of the Audit & Supervisory Committee.

(3) Employees who assist the work of the Audit & Supervisory Committee must comply with instructions and orders from the Audit & Supervisory Committee when assisting the Audit & Supervisory Committee in its duties and these employees should not receive instructions and orders from Directors (excluding Directors who are Audit & Supervisory Committee Members).

7. System for reporting to the Audit & Supervisory Committee by Directors (excluding Directors who are Audit & Supervisory Committee Members), Executive Officers, and employees, as well as other systems for reporting to the Audit & Supervisory Committee and systems to ensure that these officers and employees are not disadvantaged because of their reporting

(1) The Company's Directors (excluding Directors who are Audit & Supervisory Committee Members), Executive Officers and other employees must promptly report statutory issues, issues that have a material impact on the Company and subsidiaries, as well as details of the state of compliance, etc. to the Audit & Supervisory Committee.

In addition, the Audit & Supervisory Committee can request reports from Directors (excluding Directors who are Audit & Supervisory Committee Members), Executive Officers and other employees as necessary.

(2) Directors, Statutory Auditors, Executive Officers, and other employees of subsidiaries, or others who receive reports from these people must report issues that have a material impact on subsidiaries and details of the state of compliance, etc. to the Company's Audit & Supervisory Committee. In addition, the Audit & Supervisory Committee can request reports from Directors, etc. of subsidiaries as necessary.

(3) The Company specifies in the company regulations, etc. that anyone who reports to the Audit & Supervisory Committee cannot be disadvantaged because of their reporting.

8. Procedures for prepayment or reimbursement of expenses incurred in the performance of duties by Audit & Supervisory Committee Members and other policies for the settlement of expenses or liabilities incurred in the performance of these duties

If the Audit & Supervisory Committee requests advance payment or payment of amounts already disbursed or the settlement of liabilities for expenses incurred in connection with the execution of committee duties (limited to expenses related to the execution of duties by the Audit & Supervisory Committee), the Company pays these expenses or settles liabilities promptly, unless it is shown that these expenses were not necessary for the execution of their duties.

9. Systems to ensure that audits by the Audit & Supervisory Committee are conducted effectively

(1) The Audit & Supervisory Committee arranges regular opinion exchange meetings with the Representative Director and other Directors (excluding Directors who are Audit & Supervisory Committee Members).

(2) The Audit & Supervisory Committee collaborates and exchanges information with the Internal Control Division and the Financial Auditor, and develops a system to ensure the efficiency and effectiveness of audits.

10. Establishing a system to ensure the appropriateness of financial reporting

To ensure the reliability of financial reporting by the Company and subsidiaries, the Company establishes a system to ensure the appropriateness of financial reporting as required by the Financial Instruments and Exchange Act and other related laws and regulations, etc. based on the PILOT Group Company Accounting Rules established by the Company.

11. Establishment of a system to help eliminate antisocial forces

The Company does not have any involvement with any antisocial forces that threaten the social order or the sound activities of the Company, and responds resolutely and systematically when receiving unreasonable demands, based on the PILOT Group Code of Conduct.

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

1. Basic views on eliminating anti-social forces (basic policy)

As mentioned in item 11 of the previous section, the Company's fundamental policy is to take a strong stand against anti-social forces and any other organizations or individuals that threaten the order and safety of civil society. The Company will have no relationships with such entities.

2. Status of efforts for eliminating anti-social forces

(1) The PILOT Group Code of Conduct states that the Company will not associate with any antisocial forces that threaten social order or the legitimate operations of businesses. The Company will respond decisively and systematically to any unreasonable demands, refusing to engage with anti-social forces in any way.

(2) The Company has designated the General Affairs Department as the department responsible for handling anti-social forces. The Company is a member of Tokubouren (the Federation for the Prevention of Special Violence in Areas under the Jurisdiction of the Tokyo Metropolitan Police Department), a public interest incorporated association. Additionally, the Company gathers information about anti-social forces by maintaining regular communication with local police stations.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation for Applicable Items

The Company eliminated takeover defense measures at the end of the Annual General Meeting of Shareholders for the fiscal year ended December 31, 2022. To consistently maintain or increase its corporate value and protect the common interests of shareholders, the Company will request that any party making or attempting to make a large-scale purchase of the Company's share provide necessary and sufficient information. This will help shareholders accurately assess the advantages and disadvantages of the large-scale purchase. The Company will also disclose the opinions of its Board of Directors. By doing this, the Company aims to ensure that shareholders have sufficient time and information to evaluate the purchase. Additionally, the Company will take appropriate measures, adhering to the Financial Instruments and Exchange Act, the Companies Act, and other applicable laws and regulations.

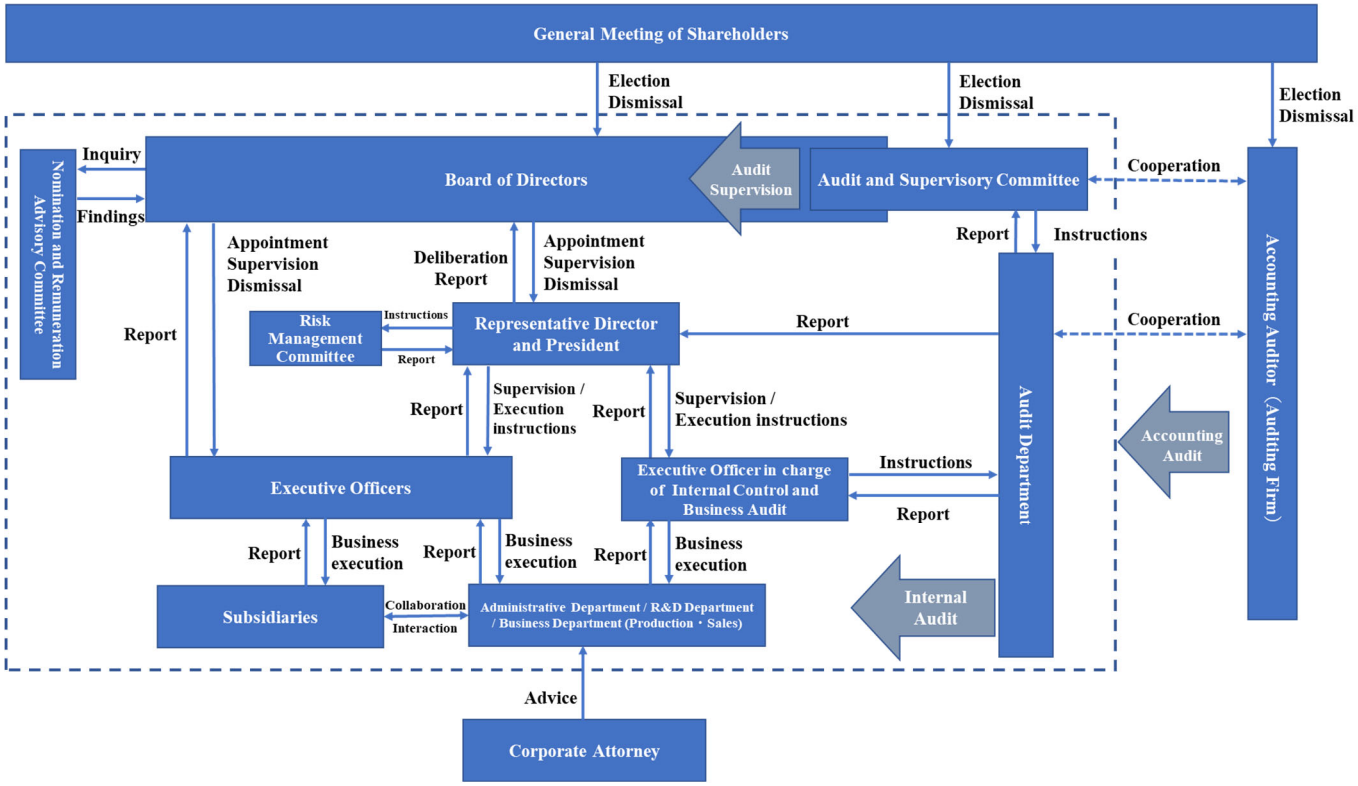
2. Other Matters Concerning the Corporate Governance System

1. To maintain oversight of the PILOT Group companies, the Company has established specialized management sections in the Corporate Planning Department and the Accounting & Finance Department and has created a system to centrally collect and manage important information across the PILOT Group, including accounting data.

The General Affairs Department, which is responsible for the timely disclosure of information, collaborates with the Public Relations Department, IR Office, Human Resources Department, Corporate Planning Department, Accounting & Finance Department, and other relevant internal departments and consults outside experts when necessary to assess whether timely disclosure is required regarding decisions or events occurring within the PILOT Group in accordance with the the listing rules of the Tokyo Stock Exchange. The Company will actively disclose information that it believes will assist investors in their making informed investment decisions, even if timely disclosure is not required. The Director in charge of the department responsible for the timely disclosure of information is responsible for handling information. This Director makes final decisions regarding timely disclosure.

2. When conducting timely disclosure, the Company discloses information through TDnet, the Tokyo Stock Exchange's disclosure system, to ensure its appropriateness and fairness. The Company also posts the information on its website without delay to ensure wide dissemination. The Company aims to enhance the accuracy and appropriateness of the information it provides. It holds press conferences at press clubs when necessary.

The following chart illustrates the corporate governance structure of the PILOT Group.



Skill Matrix of the Board of Directors

The skill matrix expected of the Board of Directors will be as follows:

[Legend] ●: Particularly expected item, ○: Expected item

Name	Positions in the Company	Long-term strategic thinking	Sustainability	Human resources management	Global management	Marketing and sales	Manufacturing, technology, development, intellectual property	DX, IT	Risk management	Group governance
Fumio Fujisaki	Representative Director and President	●	●	●	●	●	●	●	●	●
Takeshi Kodaira	Representative Director	●	●	●		●	○	●	●	●
Kazuhiko Yokoyama	Director	●		○	○	○	○	○	●	●
Katsuji Hatano	Director	●	●	○		○			●	●
Masanobu Muramatsu	Outside Director	●			○				●	●
Misuzu Shibata	Outside Director	●	○	○					●	●
Hiroshi Kawano	Outside Director	●			○	○			●	●
Yoshihiro Saimura	Director (Full-time Audit & Supervisory Committee Member)				○				●	●
Toshizo Kamiyama	Outside Director (Audit & Supervisory Committee Member)				○				●	●
Tsugukiyo Fujita	Outside Director (Audit & Supervisory Committee Member)		○						●	●

Long-term strategic thinking	The skill of envisioning long-term management strategy from a broad perspective to achieve our purpose, and engaging in comprehensive corporate management with a growth story that includes taking on new challenges
Sustainability	The skill of possessing knowledge about sustainability management, and engaging in long-term and stable sustainable management while coexisting with stakeholders
Human resources management	The skill of creating human resource strategies to enhance the corporate value of the Company, including human resources to act as management successors, and being able to develop human resources to achieve those strategies
Global management	The skill of having the experience of developing businesses on a broad global basis, and being able to enhance the presence of the Company in global markets
Marketing and sales	The skill of possessing broad knowledge and insight related to markets and distribution, and being able to broadly offer added value to society and customers
Manufacturing, technology, development, intellectual property	The skill of possessing wide-ranging understanding related to technology held by the Company as a manufacturer, as well as quality and intellectual property, and creating systems capable of developing high-quality services and products
DX, IT	The skill of responding flexibly to social changes and being able to achieve operational reform and stable operation at the Company with advanced literacy concerning digital technologies and IT
Risk management	The skill of being able to create systems and mechanisms for appropriately implementing a response to management risks in areas such as legal affairs, financial affairs, and accounting, as well as information security
Group governance	The skill of building a business portfolio for the Group as a whole and being able to lead the Group with a governance system that includes organizational design

Note: In order to achieve our purpose, “Our Creations Inspire Creativity,” and ensure the sustainable growth and development of the Group, the Company believes that the Board of Directors should consist of persons who possess knowledge and pride concerning technology and quality, which are the backbone of the Group, and who are resourceful enough to enable them to utilize abundant management and practical experience to enhance the engagement of employees and promote advanced business management.
The Company has set forth these personal criteria and the expected skills that Directors should exercise to fulfill their roles in the form of the “skill matrix expected of the Board of Directors.”