

Basic Policy on Corporate Governance

KITZ Corporation

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Chapter I General Provisions

Article 1 Purpose

This Basic Policy on Corporate Governance (hereinafter referred to as the “Basic Policy”) indicates the basic philosophy regarding corporate governance within the KITZ Group based on the KITZ Group's corporate philosophy system.

KITZ Group Corporate Philosophy System

■ KITZ' Statement of Corporate Mission

We strive to build a robust global environment and sustainable future by supporting societal infrastructure through our advancements in fluid control technologies and materials.

■ Long-term Management Vision

Beyond New Heights 2030

Change the ‘Flow’

■ Action Guide

Do it KITZ Way (Do it True • Do it Now • Do it New)

Article 2 Basic Concept of Corporate Governance

Based on our corporate philosophy system, the KITZ Group will further increase the trust and understanding of our stakeholders, and in order to strengthen its management foundation to support sustainable growth and increase medium- to long-term corporate value and social value, as well as to improve management compliance, transparency, soundness, and efficiency, we will strive to enhance corporate governance as the most important management issue.

Article 3 Disclosure, Revision, and Abolition of Basic Policy on Corporate Governance

- (1) We will disclose the Basic Policy on our website.
- (2) The Board of Directors will decide on the revision or abolition of the Basic Policy.

Chapter II Structure of Corporate Governance

Section 1 Organization

Article 4 Designing Organization

- (1) We will clearly separate the management supervisory and executive functions to ensure management transparency, and by delegating a significant amount of authority from the Board of Directors to Senior Executive Officers, we will adopt a form of company with a Nominating Committee and other organizational entities with the aim of enabling prompt and decisive decision-making.
- (2) Based on the provisions of the Companies Act, we, as a Company with a Nominating Committee and other organizational entities will establish a General Meeting of Shareholders, Directors, a Board of Directors, a Nominating Committee, an Audit Committee, a Compensation Committee, Senior Executive Officers, and Financial Auditors.

Section 2 Supervisory Function

Article 5 Structure of Board of Directors and Committees

- (1) We will stipulate the details of the basic policy and judgment requirements regarding the election and removal as well as the appointment and dismissal of Directors, Representative Executive Officers, and Senior Executive Officers in the Policy for the Election and Removal of Directors and Senior Executive Officers.
- (2) We will strive to maintain a balance in the knowledge, experience, ability, and expertise of Directors using the Skills Matrix of Directors and also take into consideration diversity, including gender, globalism, work history, age, and other matters. In addition, we will appoint at least one Director who serves as an Audit Committee Member with sufficient knowledge of finance and accounting.
- (3) By increasing the number of Outside Directors who meet the requirements for Outside Directors stipulated by the Companies Act, the independence standards for independent officers stipulated by the Tokyo Stock Exchange, and the Independence Standards for Outside Directors stipulated by the Board of Directors to at least one-third of the total number of Directors, we aim to strengthen corporate governance.
- (4) We will appoint the Chairperson of the Board of Directors meeting from among the Directors by a resolution of the Board of Directors.
- (5) We will establish voluntary committees (hereinafter referred to as the “Voluntary Committees.” Also, the Nomination Committee, Audit Committee, Compensation Committee, and Voluntary Committees are hereinafter collectively referred to as the “Nominating Committee etc.”) as necessary to assist the supervisory function of the Board of Directors as well as the Nominating Committee, Audit Committee, and Compensation Committee as required by laws and regulations.
- (6) Each of the Nominating Committee etc. is composed of three or more Directors, the majority of whom are Outside Directors.

- (7) The Board of Directors will appoint the Directors who will serve as members of the Nominating Committee etc. and will also appoint the chairperson from among the Outside Directors who will serve as the committee members.

Article 6 Roles and responsibilities of Board of Directors

- (1) Based on its entrusted responsibility to shareholders, the Board of Directors will strive to improve the medium- to long-term corporate value and social value of the KITZ Group by holding free, open, and constructive discussions on management policy, management reform, and other matters.
- (2) The Board of Directors will establish and operate a system that enables appropriate decision-making regarding matters that may have a significant impact on management, based on laws and regulations, the Articles of Incorporation, and the Regulations of the Board of Directors.
- (3) The Board of Directors will decide on matters stipulated in the attachment of the Regulations of the Board of Directors and basic management policies based on laws and regulations, the Articles of Incorporation, and the Regulations of the Board of Directors.
- (4) The Board of Directors will determine matters to be delegated to Senior Executive Officers among decisions related to business execution.
- (5) We will establish a table of authority standards for the Board of Directors, Nomination Committee etc., Representative Executive Officers, and all Senior Executive Officers, and clarify and manage the matters to be resolved, deliberated, and reported by each of them.
- (6) The Board of Directors will determine the division of duties of Senior Executive Officers, the hierarchy of commands, and other mutual relationships between Senior Executive Officers.
- (7) The Board of Directors may consult the Nominating Committee etc. on matters it deems necessary.
- (8) At least once every three months, the Board of Directors will receive reports from Senior Executive Officers regarding the status of the execution of duties, the status of corporate governance of the KITZ Group, the progress of management strategies, and decision on and the status such as the progress of other matters delegated to Senior Executive Officers. and supervises the status of business execution.
- (9) The Board of Directors will advocate ROIC x ESG management and place the core of management on improving the return on invested capital (ROIC) over the medium to long term and aim to improve corporate value by using ROE outside the KITZ Group and ROIC inside the KITZ Group as major key performance indicators (KPIs) while at the same time aiming to improve social value from an ESG perspective.
- (10) The Board of Directors will review the Long-term Management Vision and Medium-term Management Plan and discuss priority issues and themes from a medium- to long-term perspective. In addition, if the goals of the Medium-term Management Plan are not achieved, the Board of Directors will analyze the cause, reflect it in future management plans, and provide an explanation to shareholders.
- (11) The Board of Directors will establish a Basic Policy on Internal Control, execute business quickly and efficiently under appropriate internal control, and regularly verify the function of internal control.
- (12) With regard to risk-taking related to business execution, the Board of Directors will grasp and foresee various risks that may be assumed both within and outside the company in the current and medium- to long-term, make decisions based on multifaceted and proactive consideration from the perspective of whether or not they will contribute to improving corporate value, and support prompt and decisive decision-making regarding business execution.

- (13) The Board of Directors will examine succession plans for Directors and Senior Executive Officers (hereinafter referred to as "Officers et al."), which are based on reports from the Nominating Committee, and the selective education necessary for developing successors, job rotation aimed at career development, and other training programs aimed at career development, as well as supervise their implementation.
- (14) The Board of Directors will supervise appropriate and accurate information disclosure.

Article 7 Operation of Board of Directors

- (1) In principle, the Board of Directors will hold a regular board meeting every month, a settlement meeting every quarter, and an extraordinary board meeting as necessary.
- (2) The Board of Directors will set the number of deliberation items, including matters to be resolved and matters to be reported, in such a way as to ensure sufficient deliberation time, taking into consideration the balance with the meeting time.
- (3) In principle, the Board of Directors secretariat will distribute convocation notices and materials for meetings of the Board of Directors at least three days before the meeting to ensure thorough deliberations at the Board of Directors.
- (4) Independent outside directors will strive to appropriately reflect the opinions of stakeholders, mainly including minority shareholders, on the Board of Directors from an objective standpoint independent of management and, based on their own knowledge regarding management policies and other management improvements, provide appropriate advice from the perspective of promoting the company's sustainable growth and improving its corporate value over the medium to long term.
- (5) In principle, from the perspective that Outside Director actively contribute to discussions at Board of Directors meetings, we will regularly hold Independent Outside Directors meetings composed of independent outside directors (hereinafter referred to as the "Members") to exchange information and share understanding based on an independent and objective standpoint, and as necessary, exchange information between the Members and Financial Auditors or the Internal Audit Office.
- (6) At the Independent Outside Directors meetings, the lead independent outside director will be elected by mutual vote among the Members and serve as the chairperson.
- (7) If requested by an Outside Director, the General Manager of the Corporate Planning Dept., who is the secretariat of the Board of Directors, or the manager of the division in charge of the agenda will, as necessary, through the Independent Outside Directors meetings or at other opportunities, support Outside Directors to understand the management issues that the company should address and make appropriate and accurate decisions, such as by providing information and materials related to the agenda, and providing explanations in advance.
- (8) Representative Executive Officers and Senior Executive Officers will regularly exchange opinions with independent outside directors at Independent Outside Directors meetings and other meetings.
- (9) If it is difficult for Directors to attend the meeting venue of the Board of Directors, we will create an environment where they can attend the meeting from outside via Web conference or telephone conference.

Article 8 Nominating Committee

- (1) Based on the Policy for Election and Removal of Directors and Senior Executive Officers, the

Nominating Committee will decide on the content of the proposal regarding election and removal of Directors and Senior Executive Officers to be submitted to the General Meeting of Shareholders.

- (2) Based on consultations from the Board of Directors, the Nominating Committee will deliberate on matters related to the establishment, modification, and abolition of the Policy for Election and Removal of Directors and Senior Executive Officers and the Independence Standards for Outside Directors; matters regarding the nomination and dismissal of candidates for the Chairperson of the Board of Directors meeting and Chairman of the Board; matters related to the nomination and removal or dismissal of candidates for members and chairpersons of the Nominating Committee etc.; matters related to the nomination and removal or dismissal of candidates for Senior Executive Officers, Representative Senior Executive Officers, and officers with directorship status; matters related to next-generation management plans (including training plans); and other matters discussed by the Board of Directors and submit a report to the Board of Directors.

Article 9 Audit Committee

- (1) The Audit Committee will audit the execution of duties by Directors and Senior Executive Officers; audit financial statements, business reports, and their supplementary specifications, and prepare audit reports for them; and decide on the content of the agenda regarding the election and removal of Financial Auditors, as well as the non-reappointment of Financial Auditors, to be submitted to the General Meeting of Shareholders.
- (2) In addition to the preceding paragraph, the Audit Committee will deliberate on matters discussed by the Board of Directors and submit a report to the Board of Directors.
- (3) The Audit Committee will establish and operate an internal reporting desk that accepts reports or consultations (hereinafter collectively referred to as "Reports and Consultations") regarding legal and other violations in which the KITZ Group company's management executives, such as Directors, Senior Executive Officers, and Auditors, are suspected of involvement and which may seriously impede the management of the KITZ Group.
- (4) In order to collaborate with the Financial Auditor and the General Manager of the Internal Audit Office, the Audit Committee will regularly hold three-way audit meetings to report on each auditing organization and exchange information and opinions.
- (5) The Audit Committee will exchange opinions and share information with Outside Directors through Independent Outside Directors meetings and in other opportunities.
- (6) The Audit Committee will appoint Standing Audit Committee Members from among the Audit Committee Members in order to effectively and efficiently audit the execution of duties by Officers et al.
- (7) We will establish an Audit Committee Office within the Audit Committee and appoints dedicated employees with sufficient ability to assist the Audit Committee as Standing Full-Time Office Members to ensure independence from business execution. In addition, if the Audit Committee requires it, we will have all employees who belong to the Internal Audit Office concurrently serve as temporary office members, and under the direction of the Audit Committee, we will ensure a system that allows us to directly and preferentially give instructions regarding additional investigations related to internal audits and investigations into serious legal violations.
- (8) Standing Audit Committee Members and Standing Full-Time Office Members may concurrently serve

as Auditors of subsidiaries.

- (9) Standing Full-Time Office Members will have the authority to investigate the business and assets of the Company and its subsidiaries and the authority to collect information in accordance with the instructions of Standing Audit Committee Members, and when instructed by the Standing Audit Committee Members, will attend important meetings of the Company and its subsidiaries.

Article 10 Compensation Committee

- (1) The Compensation Committee will determine the policy on decisions regarding the content of individual compensation and other remuneration that Officers et al. receive, as well as the content of individual remuneration and other compensation that Officers et al. receive (if the Senior Executive Officer also serves as an employee of our company, the amount of remuneration and other compensation for the relevant employee will be included).
- (2) In addition to the preceding paragraph, the Compensation Committee will deliberate on matters discussed by the Board of Directors and submit a report to the Board of Directors.

Article 11 Risk Committee

- (1) We will establish a Risk Committee as a voluntary committee whose mission is to assist in the supervision of the Board of Directors regarding the risk management of the KITZ Group and to contribute to the sophistication of risk management as an integral part of management strategies. The Risk Committee will verify the Basic Policy on Risk Management and the risk assessment framework, verify the results of risk assessment, identify critical risks, analyze and predict the risk environment, and verify the operational status pertaining to risk management.
- (2) In addition to the preceding paragraph, the Risk Committee will deliberate on matters discussed by the Board of Directors and submit a report to the Board of Directors.

Article 12 Remuneration for Directors and Senior Executive Officers

- (1) We will set remuneration for Directors and Senior Executive Officers at a level that enables us to secure excellent human resources and to function effectively as an incentive for improving business performance in the short, medium, and long term.
- (2) We will make the remuneration for Directors (excluding Outside Directors) and Senior Executive Officers consist of basic remuneration (fixed remuneration), stock remuneration (non-performance-linked remuneration), bonuses (performance-linked, short-term incentive remuneration), and stock remuneration (performance-linked, medium-term incentive remuneration), and set the level and composition ratio of each remuneration item by using objective survey data from external organizations and referring to executive remuneration levels of other companies in the same industry, same size, and other industries.
- (3) The remuneration for Outside Directors consists of basic remuneration (fixed remuneration) and stock remuneration (nonperformance-linked).

Article 13 Effectiveness Evaluation of Board of Directors

- (1) Every year, the Board of Directors will analyze and evaluate the effectiveness of the Board of Directors and make improvements as necessary with the aim of increasing the effectiveness of corporate

governance and improving the functions of the Board of Directors as a whole.

- (2) We will disclose the summary of the results of the evaluation described in the previous paragraph through corporate governance reports and other means.

Article 14 Support Structure for Directors

- (1) The General Manager of the Corporate Planning Dept. will communicate and coordinate with Outside Directors and other officers in order to promote cooperation between them.
- (2) The General Manager of the Corporate Planning Dept. and the managers of each division will provide timely and appropriate information when Directors request additional information due to insufficient information about the company that the Directors have acquired in the performance of their duties.
- (3) We will allow Directors to attend various meetings and visit business offices, including those of the KITZ Group, so that Directors can obtain the information necessary for decision-making at any time.
- (4) We will allow Directors to hear the opinions of lawyers, certified public accountants, and other outside experts at our expense regarding business issues that require appropriate and accurate judgment.

Article 15 Training Structure for Directors and Senior Executive Officers

- (1) In order for Officers et al. to acquire the necessary knowledge and improve themselves, we will provide opportunities for them to participate in training at external educational institutions and management study sessions held by inviting external instructors based on themes after they assume office or from the time they are candidates.
- (2) In order for Outside Directors to grasp and understand necessary information regarding the business, finance, organization, and other aspects of the Company and its subsidiaries after assuming office, we will explain our corporate philosophy system, Long-term Management Vision, Medium-term Management Plan, business overview, the industry to which we belong, history, governance system, compliance system, and other matters. In addition, we will provide Outside Directors with opportunities to tour business offices in Japan and overseas, understand the business content, and interact with executives at each business office.

Section 3 Execution Function

Article 16 Business Execution Structure

- (1) We will elect Senior Executive Officers by a resolution of the Board of Directors.
- (2) We will appoint Representative Executive Officers from among Senior Executive Officers by a resolution of the Board of Directors.
- (3) The Board of Directors will determine the division of duties of Senior Executive Officers and the hierarchy of commands.
- (4) We will appoint Senior Executive Officers with Specific Titles as necessary by a resolution of the Board of Directors.
- (5) We will establish a Board of Senior Executive Officers that is composed of all Senior Executive Officers and presided over by the Representative Executive Officer & President appointed by the Board of Directors.
- (6) When formulating a Medium-term Management Plan, the Board of Senior Executive Officers will, as a

step toward growth to realize the Long-term Management Vision, reflect quantitative targets such as growth, profitability, capital efficiency, and dividend payout ratio, as well as strategies regarding the allocation of management resources, including investment in human capital, research and development, and intellectual property, and regarding the business portfolio.

- (7) Standing Audit Committee Members may attend the meetings of the Board of Senior Executive Officers at all times and express their opinions.
- (8) We will establish a Management Conference presided over by the Representative Executive Officer & President so that the Representative Executive Officers can receive reports on business execution from the managers of each division and that we can deliberate on the KITZ Group's business strategies and business issues.
- (9) In order to speed up decision-making and clarify the decision-making process, we will establish various internal regulations, such as Authority Regulations and Approval Regulations, to promote the delegation of decision-making authority to Representative Executive Officers, Senior Executive Officers, Divisional Supervisors, and other managers of the divisions in each organization and will work to clarify the decision-making process as well as authority and responsibility.
- (10) The Senior Executive Officers in charge of the Corporate Finance Division will establish the financial policy of the KITZ Group, strengthen financial governance, and supervise and manage funds, foreign exchange, and financial institution transactions within the KITZ Group.
- (11) The Divisional Supervisors in charge of each subsidiary will serve concurrently as a Director of the applicable subsidiary and will approve important matters related to the execution of business of the applicable subsidiary based on the provisions of the Group Company Management Regulations.
- (12) The Senior Executive Officers in charge of the Corporate Finance Division will dispatch employees from that division as auditors of subsidiaries as necessary.

Article 17 Decisions on Business Execution Delegated to Senior Executive Officers by the Board of Directors

- (1) Matters delegated by the Board of Directors to all Senior Executive Officers will be determined at meetings of the Board of Senior Executive Officers, and matters delegated to Representative Executive Officers will be determined by the Representative Executive Officers.

However, in the unlikely event that the Representative Executive Officers have an accident and an emergency is required, in accordance with the division of duties of Senior Executive Officers determined by the Board of Directors, if there is an Senior Executive Officer responsible for the execution of the relevant business, that Senior Executive Officer will determine the said matters, and the Board of Senior Executive Officers will determine other matters.

- (2) Of the matters related to business execution decisions delegated by the Board of Directors to Senior Executive Officers, matters designated as matters for deliberation by the Board of Directors will be submitted by the Representative Executive Officer & President or other Senior Executive Officers as matters for deliberation to the Board of Directors, and such matters will be determined after hearing the opinions of the Board of Directors.

Article 18 Operation of the Internal Control System

- (1) We will establish the Basic Policy on Internal Control and disclose it on our website.
- (2) In order to manage and evaluate the appropriateness and risks of important matters related to appropriate

management decision-making, the Representative Executive Officer & President will establish specialized committees for various functions, such as sustainability promotion, internal control, crisis/compliance management/risk management, and investment and loan review.

- (3) Based on the Basic Policy on Risk Management, the Representative Executive Officer & President will, in order to prevent the emergence of risks such as natural disasters, accidents, and human-made disasters, or to minimize damage caused thereby, implement appropriate risk management at the management level based on basic policies and evaluation standards related to risk assessment, and evaluate the KITZ Group's risk management process through internal audits by the Internal Audit Office.
- (4) In order to ensure thorough compliance management, we will establish a supervisory division in charge of compliance promotion and carry out the following initiatives:
 - (i) We will establish the KITZ Group Compliance Code of Conduct (hereinafter referred to as the "Compliance Code of Conduct") with which all officers and employees of the KITZ Group must comply to ensure that they always act legally and ethically. Additionally, we will prepare said Code of Conduct in the language of the country where the subsidiary is located and disclose it to all officers and employees of the KITZ Group on the intranet portal.
 - (ii) We will establish a Compliance Helpline at the Company and its subsidiaries to receive information and consultation regarding illegal or inappropriate acts from employees and will also establish a reception desk at the law firm that can be used throughout the KITZ Group. In addition, the Manager of the supervisory division in charge of compliance promotion will, in accordance with the response policy, promptly investigate the facts of the reported information received by the Compliance Helpline and implement corrective measures as necessary. Furthermore, we will strictly maintain the privacy of information providers and ensure that they are not treated disadvantageously due to the provision of information.
 - (iii) The Manager of the supervisory division in charge of compliance promotion will formulate a Compliance Guidebook regarding basic matters related to compliance, the Compliance Code of Conduct, and the Compliance Helpline and disclose the Compliance Guidebook to all officers and employees of the KITZ Group on our intranet portal, as well as provide education and training.
- (5) The Manager of the supervisory division in charge of compliance promotion will regularly report to the Audit Committee and the Board of Directors regarding the content of whistleblowing and the status of their response.
- (6) Based on requests from the Audit Committee, we will provide maximum support for early resolution of reports and consultations received by the whistleblowing reception desk established by the Audit Committee.
- (7) We will establish an Internal Audit Office as an organization under the direct control of the Representative Executive Officer & President, and based on the Internal Audit Regulations, smoothly and effectively conduct internal audits regarding the effectiveness and efficiency of operations, the reliability of reports (financial reports etc.), the compliance with laws and regulations related to business activities, the preservation of assets, as well as the evaluation of the effectiveness of risk management in business activities and contribution to the improvement of risk control systems. In addition, the General Manager of the Internal Audit Office will report plans, results, and other necessary information regarding internal audit of the Company and its subsidiaries to the Representative Executive Officer & President and the Audit Committee.

- (8) The General Manager of the Internal Audit Office will report internal audit results of the Company and its subsidiaries to the Representative Executive Officer & President, Senior Executive Officers, and the Presidents of the subsidiaries.
- (9) Senior Executive Officers, Divisional Supervisors, and the Presidents of the subsidiaries, upon receiving the pointing out of problems based on the internal audit results from the General Manager of the Internal Audit Office, will promptly consider and implement improvement measures.
- (10) The General Manager of the Internal Audit Office will, as necessary, attend meetings of the Board of Directors and directly report on the implementation status and results of internal audit of the KITZ Group.
- (11) We will dispatch Directors and Auditors to major subsidiaries, and based on the Regulations of the Board of Directors, Authority Regulations, Approval Regulations, Group Company Management Regulations, and other related regulations, will clarify matters to be approved by us regarding important matters of the subsidiaries to ensure the appropriateness of operations at its subsidiaries.
- (12) We will respond resolutely and organizationally to antisocial forces and other related organizations that threaten social order and safety in cooperation with lawyers and other experts and the police. Additionally, in order to fulfill our social responsibility as the KITZ Group, we will continue to implement initiatives to eliminate antisocial forces.

Section 4 Financial Auditors

Article 19 Ensuring Appropriate Audit by Financial Auditors

- (1) Financial Auditors will cooperate with the Audit Committee and the Internal Audit Office to ensure a system that allows for appropriate audit.
- (2) Financial auditors will ensure independence and expertise and comply with the quality control standards necessary to properly conduct accounting audits.
- (3) The Audit Committee will establish standards for the appointment and evaluation of Financial Auditor candidates in the Audit Committee Audit Standards and evaluate whether the necessary and sufficient audit system and audit time are expected to ensure the independence, qualification, and expertise of Financial Auditors, as well as the appropriateness, validity, and effectiveness of the audit quality.
- (4) The Audit Committee will grasp and evaluate the status of performance of duties by Financial Auditors through the status of audit implementation and audit reports.
- (5) In order to enable high-quality audits, the Audit Committee will hold preliminary discussions with Financial Auditors to ensure sufficient audit time when formulating the audit schedule.
- (6) If Financial Auditors discover fraud and requests that the Audit Committee take appropriate action or points out problems, such as deficiencies, the Audit Committee will conduct the necessary investigation regarding this and request Senior Executive Officers and Divisional Supervisors to make the necessary corrections. In addition, the Representative Executive Officer & President will report the results to the Audit Committee.
- (7) Based on a request from Financial Auditors, we will set up a meeting between Senior Executive Officers, including the Representative Executive Officer & President, and Financial Auditors.

Chapter III Relationships with Shareholders

Article 20 Ensuring Rights of Shareholders and Equality among Them

- (1) We will treat all shareholders equally according to the number of shares they hold so that the rights of all shareholders, including minority shareholders and foreign shareholders, are substantially secured.
- (2) We will disclose information in a timely and appropriate manner to avoid information gaps among shareholders.
- (3) We will stipulate methods for exercising shareholder rights in the Stock Handling Regulations and disclose information regarding these regulations and stock procedures on our website.

Article 21 General Meeting of Shareholders

- (1) When setting the date of a general meeting of shareholders, we will avoid days when general meetings of shareholders are concentrated as much as possible and take into account the viewpoints of enhancing dialogue with shareholders and providing accurate information to shareholders.
- (2) We will endeavor to send convocation notices of the general meeting of shareholders at least 18 days before the date of the general meeting of shareholders so that shareholders can properly exercise their voting rights and will disclose convocation notices on TDnet and our website before sending them.
- (3) We will use an electronic voting platform to enable the electronic exercise of voting rights.
- (4) We will disclose the biography, concurrent positions, and reasons for selection as a candidate for a Director candidate in the convocation notice and will also disclose the reasons for dismissal of a Director.
- (5) In the event that a considerable number of votes are cast against our proposal, we will analyze the cause and consider measures to be taken.
- (6) As a general rule, we will submit an extraordinary report regarding the approval or disapproval of each proposal to the Financial Services Agency on the day after the general meeting of shareholders and will also disclose it on our website.
- (7) In principle, we will not allow institutional investors who hold shares in the name of trust and other banks to exercise voting rights or ask questions on behalf of trust and other banks at the general meeting of shareholders. However, if those institutional investors express a desire to exercise their rights at the general meeting of shareholders, we will hold discussions with trust and other banks.
- (8) Based on laws and regulations and the Articles of Incorporation, we will delegate to the Board of Directors matters related to the acquisition of treasury stock, distribution of surplus, and exemption from liability of Officers et al., which are part of the matters to be discussed at the general meeting of shareholders.

Article 22 Dialogue with shareholders

- (1) In order to provide information to all shareholders and investors in a timely, accurate, and fair manner, we will formulate a disclosure policy and disclose it on our website.
- (2) In principle, we will hold quarterly financial results briefings for institutional investors and analysts, and annual company briefings for individual investors, in which the Representative Executive Officer &

President, the Divisional Supervisors designated by the Representative Executive Officer & President, or the Manager of the IR Division will provide the explanation. In addition, Directors, including Outside Directors, will attend as necessary to promote dialogues with shareholders.

- (3) When we receive a request for an interview from shareholders, the Manager of the IR Division will, in principle, respond to such request, or depending on the purpose of the interview and the number of shares owned, the Representative Executive Officer & President, the Divisional Supervisors designated by the Representative Executive Officer & President, or the Manager of the IR Division will respond to such request.
- (4) When we engage in dialogue with shareholders, we will appropriately manage information to prevent insider trading.
- (5) We will explain our Long-term Management Vision, Medium-term Management Plan, and other plans in an easy-to-understand manner.
- (6) Managers of divisions in charge of IR, corporate planning, finance, accounting, sustainability promotion, general affairs, legal affairs will work together organically as necessary to support dialogues with shareholders.
- (7) The Manager of the IR Division will regularly report opinions, requests, and other matters obtained through dialogues with institutional investors and analysts to the Representative Executive Officer & President, and as necessary, the Representative Executive Officer & President will report the details to the Board of Directors and the Board of Senior Executive Officers as well as use them to improve management.
- (8) In addition to financial information, such as financial statements and securities reports, we will disclose IR information, such as management information, stock information, and general meetings of shareholders' information, on our website.
- (9) In principle, we will check the status of shareholders at least once a year.

Article 23 Capital Policies

- (1) Our capital policy will be based on management with an awareness of capital costs, an optimal capital structure that can accommodate growth investments and business risks, and shareholder returns.
- (2) In order to maintain and improve long-term shareholder value, we will set target levels of capital productivity, such as return on equity (ROE), and conduct management with an awareness of capital costs.
- (3) In preparation for growth investments and rapid changes in the economic environment, we will ensure the soundness of our financial structure and establish levels, such as equity ratios, which allow us to maintain ratings by rating agencies that enable financing regardless of financial conditions, thereby optimizing capital.
- (4) We will establish a dividend policy and set a target value for the consolidated dividend payout ratio in the Medium-term Management Plan.
- (5) We will consider acquiring treasury stock from time to time, taking into consideration stock market and stock price trends, financial stability, liquidity on hand, investment capital status, and other circumstances.

Article 24 Cross-Shareholdings

- (1) We will establish the Basic Policy on Cross-Shareholdings and disclose it on our website.
- (2) In principle, we will not hold cross-shareholdings for the purpose of forming stable shareholders.
- (3) We will verify and review cross-shareholdings at the Board of Directors meeting every year and sell stocks as appropriate that are determined not to meet the Policy on Cross-Shareholdings.
- (4) Regarding the exercise of voting rights related to cross-shareholdings, we will decide whether to approve or disapprove each proposal, comprehensively considering the stock issuing company's management status and governance structure, the presence or absence of appropriate decision-making that leads to medium- to long-term improvements in corporate value, and whether or not this will lead to an increase in the corporate value of the KITZ Group.
- (5) If a cross-shareholding shareholder expresses an intention to sell our shares that the person owns, we will not interfere with the other party's sale of the shares, such as by suggesting a reduction in transactions.

Article 25 Response to Large Acquisition of Our Shares

- (1) We consider that whether or not shareholders respond to the act of acquiring a number of shares that enable them to control our financial and business policy decisions (hereinafter referred to as "Large Acquisition Act") will be determined by the will of shareholders, and we will not introduce so-called takeover defense measures.
- (2) From the perspective of securing and improving our corporate value and the common interests of shareholders, we will request that the person who intends to carry out the Large Acquisition Act provide the necessary and sufficient information in order to appropriately judge the pros and cons of such Large Acquisition Act. Then, by disclosing the opinions of the Board of Directors regarding such Large Acquisition Act, we will strive to secure the period and information necessary for shareholders to consider the pros and cons of such Large Acquisition Act and implement the appropriate measures based on the Financial Instruments and Exchange Act, the Companies Act, and other related laws and regulations.

Article 26 Capital Policies That May Harm Shareholder Interests

When we implement capital policies that result in a change in control or large-scale dilution, the Board of Directors will fully deliberate on the necessity and rationality of such policies. In addition, when implementing such policies, we will promptly disclose information regarding the purpose, necessity, and rationality of the implementation, and as necessary, provide sufficient explanations at general meetings of shareholders and financial results briefings, or in other opportunities.

Article 27 Transactions among Related Parties

- (1) When we conduct transactions with Officers et al. or conduct transactions (limited to important ones) with other related parties (excluding Officers et al.), the Board of Directors will, to ensure that the common interests of the Company and its shareholders are not harmed, and that such concerns are not raised, deliberate on the content, nature, importance and rationality of the transaction, as well as the risk of conflicts of interest and other matters at meetings of the Board of Directors to make a resolution for

approval, and appropriately monitor the transaction by receiving subsequent reports of results.

- (2) When making the resolution for approval set forth in the preceding paragraph, the Board of Directors will exclude Directors who are related parties from the quorum as special interested parties.
- (3) In order to ascertain whether there are any transactions with related parties, we will conduct a written survey of our Directors and Senior Executive Officers as well as Directors with Specific Titles of our subsidiaries every year, confirm the responses, and implement the necessary measures.
- (4) We will appropriately disclose the details of transactions with related parties in accordance with the provisions of laws and regulations.

Chapter IV Cooperation with Stakeholders Other than Shareholders

Article 28 Response to Issues Related to Sustainability

- (1) In order to proactively and voluntarily address issues related to sustainability, including social and environmental issues, we will establish a Sustainability Committee consisting of our Senior Executive Officers, Divisional Supervisors, and other necessary persons.
- (2) In addition to formulating the Basic Policy on Sustainability, strategies and promotion plans related to ESG (Environment, Society, and Governance), we will share important issues, implement measures, and manage the progress of goals.

Article 29 Relationships with Customers

- (1) We will strive to improve customer satisfaction by providing various products and services that meet a wide range of customer needs and strive to maintain fair and sound business relationships.
- (2) In order to ensure stable supply at market-competitive prices and on-time delivery, we will strive to continuously improve quality control and quality assurance systems, including quality management systems, and maintain and improve quality.
- (3) We will comply with the laws and regulations applicable in each country and will not engage in any act that impedes fair and free competition.
- (4) When exporting overseas, we will establish a Security Trade Control Committee and implement appropriate security trade control.
- (5) We will obtain business certification related to compliance and cargo security and will work to conduct import and export operations internally and simplify and speed up customs procedures through the AEO Trade Control Committee.
- (6) We will strictly prohibit the receipt of inappropriate profits and strive to maintain fair and appropriate business relationships based on the Compliance Code of Conduct.

Article 30 Relationships with Business Partners

- (1) We will build healthy and good partnerships with our business partners and maintain those relationships.
- (2) We will conduct fair and appropriate transactions by comprehensively evaluating quality, price, delivery time, support, and other matters, while giving due consideration to legal compliance, environmental safety, and respect for human rights at our business partners.
- (3) In order to conduct fair and appropriate transactions with our business partners, we will establish the Supplier Guidelines, which we disclose on our website, and strive to obtain the cooperation of our business partners.

Article 31 Initiatives to Address Global Environmental Issues

- (1) We will fully recognize that initiatives to address global environmental issues are the essential requirements for the existence and activities of a company, establish an environmental policy, and engage in environmental initiatives.

- (2) We will position the promotion of group environmental management as a key item for strengthening the management foundation in the Medium-term Management Plan.
- (3) We will operate a global environmental management system based on ISO 14001.
- (4) We will develop and provide environmentally friendly products and services.
- (5) We will promote green procurement of materials, parts, and packaging materials that have a low environmental impact, and the reduction or non-use of chemical substances contained in products that may have a negative impact on the environment.
- (6) We will collect and analyze the necessary data regarding the impact of climate change-related risks and profit opportunities on our business activities and profits and will systematically improve the quality and quantity of information disclosure based on the framework of the TCFD (Task Force on Climate-related Financial Disclosures).

Article 32 Relationships with Local Community

- (1) In order to realize coexistence with the local community, we will establish a Basic Policy for Social Contribution Activities and engage in social contribution activities.
- (2) We will actively engage in activities that contribute to the local community.
- (3) We will promote the creation of an environment where employees of the KITZ Group can engage in activities that contribute to the local community.

Article 33 Relationships with Employees

- (1) Based on the Global Compact principles, we will establish a basic philosophy on respect for human rights and a code of conduct and will create an environment that enables us to act appropriately in accordance with the code.
- (2) In order to realize human resources strategies and ensure diversity, we will promote personnel system reforms that can respond to changes in the times and management.
- (3) We will strive to strengthen human resource development and management of the KITZ Group Global HR Policy and on the basic policy on human resource development aimed at securing diverse human resources.
- (4) We will establish basic policies regarding diversity and inclusion, such as the percentage of female employees, promotion of women to management positions, promotion of mid-career employees to management positions, the percentage of people with disabilities and that of foreigners, and then will set voluntary and measurable goals and disclose them on our website, including information on the results of these efforts.
- (5) Based on the importance of human capital, we will work on promoting diverse work-style reforms to improve efficiency and productivity, sustainably improving employee engagement, ensuring occupational safety, promoting health management, promoting work-life balance, improving working environments, encouraging employees to take paid leave and reduce overtime hours, thereby creating a work environment where each employee can demonstrate their abilities, increase motivation, and produce maximum results, and we will also disclose the status of these efforts on our website.
- (6) We will provide various training opportunities, including guidance for joining the company, various types of training for new employees, human resource education by rank, and the acquisition of specialized skills.

Article 34 Role as an Asset Owner

- (1) Our retirement pension system consists of a defined benefit corporate pension plan (in which we entrust the pension investment to a selected company and the company conducts pension investment based on our investment policy) and a defined contribution corporate pension plan (in which employees are responsible for managing their prepaid retirement allowances), both of which are independently operated by us.
- (2) We will implement the following measures when operating the defined benefit corporate pension plan:
 - (i) Based on our company's size and business expertise, we will systematically appoint and develop human resources with expertise in asset management, etc., so that we can perform the functions expected of an asset owner.
 - (ii) In order to ensure the continuity and stability of asset management, we will regularly monitor and verify the operational status of the company entrusted with asset management.
 - (iii) The pension asset composition ratio and its changes will be determined after careful consideration at a review meeting related to pension asset management held every year.
 - (iv) In order to avoid conflicts of interest, the selection of stocks for individual pension funds and the exercise of voting rights will be left to the judgment standards of the company entrusted with asset management.

Chapter V Appropriate Information Disclosure

Article 35 Enhancing Information Disclosure

We will disclose information regarding the KITZ Group's corporate philosophy system, the Basic Policy on Corporate Governance, the table of corporate governance code implementation status, the Basic Policy on Internal Control, the Policy for Election and Removal of Directors and Senior Executive Officers, the Skills Matrix of Directors, the Independence Standards for Outside Directors, the Policy for determining the individual Compensation for Directors and Senior Executive Officers, the Policy on Cross-Shareholdings, the Medium-term Management Plan (including financial and nonfinancial information, such as capital efficiency indicators, financial indicators, and ESG-related indicators) on our website and in our corporate governance reports, securities reports, and other documents.

Article 36 Information Disclosure in English

On our website, we will disclose the various information in English for foreign shareholders and investors, such as the financial information, settlement information, and information disclosed in a timely manner that is deemed necessary, as well as integrated reports, environmental report digests, and convocation notices of general meetings of shareholders.