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Corporate Governance

Policy

Basic Approach

Under our Corporate Mission of “illuminating a more affluent tomorrow” and our Corporate Philosophy of providing value “ for customer peace of mind and satisfaction,” our group has set forth our Ideal State of Being/Vision for 2030 as “Work to build a new society through integrity to the earth, society, and people, and through the power of co-creation – Sustainability Partner –.” Our group takes the basic stance that we maintain fair and steady business activities with respect for people and the global environment, operate businesses focusing on profit while constantly pursuing new technology and high quality, and endeavor to give back to society.

In order to implement this basic stance, we formulated the “Basic Policy to Improve the Governance to Secure Fair Business Practices” at the regular Board of Directors meeting held in May 2006. In addition, we revised this basic policy at the regular Board of Directors meeting held in July 2022, as a result of a revision of the officer system to further clarify the division of roles between executive functions (executive officers) and so-called supervisory functions (directors and the Board of Directors).

We will work to further improve the fairness, efficiency, and transparency of management by promoting initiatives to enhance corporate governance in accordance with the Corporate Governance Code.

[Basic Policy on the Corporate Governance Code](#)

Meidensha will work to further improve the fairness, efficiency, and transparency of management by promoting initiatives to enhance corporate governance in accordance with the Corporate Governance Code.

i. Ensuring shareholder rights and equality

We will work to establish an environment where shareholders can exercise their rights appropriately and we will actively disclose information to this end, thereby ensuring shareholder rights and equality.

ii. Appropriate cooperation with stakeholders other than shareholders

In order to achieve our Group's sustainable growth and enhance its corporate value over the medium to long term, we will disclose appropriate information and engage in dialogue with our various stakeholders, including customers, suppliers, and members of the local community.

iii. Disclosing information appropriately and ensuring its transparency

We will make timely disclosures of information in accordance with laws and regulations and will also disclose information on the status of our company, including non-financial information, in a timely and appropriate manner through media that are widely accessible to stakeholders (our websites, integrated reports, and other publications).

iv. Obligations of the Board of Directors

Based on the Meidensha Group Corporate Philosophy, the Board of Directors will formulate medium- to long-term management plans and strive to enhance the medium- to long-term corporate value of our Group by making decisions and supervising business execution in the implementation of these plans.

As a company with an Audit & Supervisory Committee, we strive to improve the supervisory function of the Board of Directors. In addition, we will further promote separation of supervisory and executive functions by utilizing the executive officer system, which was introduced in June 2003 and revised to enhance its legitimacy in June 2022 to form a system wherein the Board of Directors' resolutions on executive officer appointments are grounded in the Articles of Incorporation.

v. Dialogue with shareholders

Our policy is to ensure that senior management respond within reason, when engaging in dialogue with shareholders who wish to create that dialogue to help enhance our corporate value over the medium to long term.

In addition, as a prerequisite for this dialogue, we will endeavor to provide more opportunities for various briefings and IR/SR interviews and offer enhanced information disclosure through our websites, integrated reports, and other publications.

Organization and Initiatives

Corporate Governance Structure and Initiatives

We are a company with an Audit & Supervisory Committee, and we aim to further strengthen corporate governance in the following areas.

- (a) We further enhance the supervisory functions of the Board of Directors through use of legal authority, such as directors that are Audit & Supervisory Committee Members holding voting rights at meetings of the Board of Directors and having the right to present a position statement relating to nomination and compensation of directors at General Shareholder's Meetings.
- (b) We further enhance discussions on management strategies, etc. by transferring the Board of Directors' meeting to a monitoring type, since a portion of the Board of Directors' authority to make decision on business execution has been transferred to the Director & President and Executive Officer (Executive Officers' Meeting).

Supervisory Committee), all of whom satisfy our criteria for determining the independence of outside directors and the requirements for independent directors as defined by the Tokyo Stock Exchange. This means that independent outside directors make up a majority of the Board of Directors, ensuring the effectiveness of the supervisory functions of the Board of Directors and that objective and independent opinions are fully incorporated into the company's management.

Regarding the appointment of directors, it is the basic policy to ensure the diversity of the Board of Directors as a whole based on the abilities, insight, and experience of individual directors and to assign appropriate human resources that contribute to the enhancement of our corporate value. It is also our policy to ensure the diversity and balance of the Audit & Supervisory Committee as a whole based on the knowledge and experience of accounting, financial, and legal matters etc., of directors who are members of the Audit & Supervisory Committee. The balance of expertise, knowledge, experience, etc., is as described in the Board of Directors' Skill Matrix below.

Composition of the Board of Directors, Nomination & Compensation Committee, and Audit & Supervisory Committee and Attendance in FY2023 (period: April 1, 2023–March 31, 2024)

Name	Position (as of March 31, 2023)	Board of Directors	Nomination & Compensation Committee	Audit & Supervisory Committee
Takeshi Miida	Representative Director & Chairperson & Senior Officer Member of Nomination & Compensation Committee	13/13	12/12	—
Akio Inoue	Representative Director & President & Executive Officer Member of Nomination & Compensation Committee	10/10	9/10	—
Norio Takekawa	Representative Director & Executive Vice President & Executive Officer	13/13	—	—
Masayuki Iwao	Director & Senior Managing Executive Officer	13/13	—	—
Hiroyuki Takenaka	Director (Outside Director) Head of the Nomination & Compensation Committee	13/13	12/12	—
Hiroji Adachi	Director (Outside Director)	13/13	—	—
Manabu Kinoshita	Director (Outside Director) Member of Nomination & Compensation Committee	10/10	10/10	—
Michihiko Kato	Director and Audit & Supervisory Committee Member (Standing Audit & Supervisory Committee Member) Head of the Audit & Supervisory Committee	13/13	—	16/16
Keiko Hayashi	Outside Director (Audit & Supervisory Committee Member) Member of Nomination & Compensation Committee	13/13	12/12	16/16
Takashi Kuroda	Director and Audit & Supervisory Committee Member (Outside Director)	13/13	—	16/16
Hideki Hiraki	Director and Audit & Supervisory Committee Member (Outside Director)	13/13	—	16/16

Note: Attendance at meetings of each body is shown as "Attended/held"

② Activities of the Board of Directors

The Board of Directors considers “matters for discussion” in addition to matters to be resolved and reported. “Matters for discussion” includes following the progress of and tracing matters related to basic management policies such as the Medium-term Management Plan and important management themes. At their meetings, directors actively exchange opinions on our management issues and strategies and on corporate governance, while drawing on the knowledge of the outside directors. The Board of Directors use the meeting as a forum to reach consensus on the direction of us in the conceptual and planning stages prior to making a board resolution. In FY2023, Meidensha created the “On-site Meeting” consisting of all directors, and began using it as a forum for directors to exchange opinions and discuss important matters impacting management flexibly and early.

Major topics discussed by the Board of Directors in FY2023 included the following.

Topic	Summary of discussions at Board of Directors meetings
Enhancing the agenda-setting of the Board of Directors	<p>Management issues and topics to be discussed at the Board of Directors meetings were discussed at the Board of Directors in April and in October for the purpose of enhancing the agenda-setting of the Board of Directors, which was identified as an issue in the FY2022 Board of Directors effectiveness evaluation. The following topics extracted from discussions were reflected in Board of Directors meetings and the On-site Meeting held in FY2023.</p> <ul style="list-style-type: none"> ■ DX promotion <p>Directors confirmed the DX promotion policy and the status of efforts focused on the DX Promotion Committee, and exchanged opinions on promoting transformation combined with changes to the corporate culture, developing DX human resources, and more for further promotion.</p> ■ Human capital efforts <p>Directors shared the results of analysis of employee engagement surveys and exchanged opinions on personnel system revisions, human resource development efforts, and fostering a DEI culture as measures to address the issues revealed by the analysis.</p> ■ Next Medium-term Management Plan <p>For considerations of the formulation of the next Medium-term Management Plan for FY2024, directors exchanged opinions on management issues and topics to be discussed, and incorporated them into the annual schedule for FY2024.</p>
Revising criteria for submitting matters for discussion to the Board of Directors and improving operations to strengthen supervisory functions	<p>To further discussion of management issues and facilitate the supervisory functions of the Board of Directors, directors discussed and executed (1) revisions to criteria for submitting matters for discussion to delegate some important business execution decisions and (2) improvements to operations to enhance information sharing on important business execution and streamline explanation and reporting.</p>
Actions to implement management that is conscious of cost of capital	<p>At the request of the Tokyo Stock Exchange, the Board of Directors confirmed the Meidensha's cost of capital and return on capital, analyzed and evaluated the current situation based on market assessments, discussed measures to improve our corporate value in a cost of capital-conscious manner, and disclosed the results in the Corporate Governance Report.</p>

③ Participation of Outside Directors in Board of Directors' Meetings

■ Participation in the agenda

Our outside directors review materials provided to them roughly 5 business days prior to a Board of Directors meeting and attend a briefing held roughly 3 business days prior to the meeting to develop an

understanding of the matters submitted for discussion from various perspectives, and check any unclear points in advance of the meeting. Notably, as a prerequisite for the monitoring and supervisory functions of the Board of Directors, materials for important meetings such as the Executive Officers' Meeting and other important committee meetings provided by the Secretariat of the Board of Directors are checked as needed.

At Board of Directors' Meetings, multifaceted discussion occurs, based on the broad perspective of managers, the knowledge of technicians, and the high-level specialization of experts, etc. The outside directors participate in deliberations by actively making statements, etc., in particular concerning policies and measures to deal with risks, and cautions when monitoring, etc.

■ Training for New Outside Directors

We create opportunities to explain our business and structures, primarily to aid the understanding of newly appointed outside directors. The responsible officers or managers in charge of the business group explain their business, group-wide themes, and our governance system to the outside directors, answer their questions, and exchange opinions with them.

(2) Effectiveness Evaluation of the Board of Directors

Meidensha has a mechanism in place to conduct an analysis and evaluation of the effectiveness of the Board of Directors in order to strengthen the supervisory function of the Board of Directors.

With regard to the activities of the Board of Directors in FY2023, all members of the Board of Directors (including outside directors) evaluated the effectiveness of the Board of Directors (including self-evaluations), and the following discussions took place at meetings of the Board of Directors, in order to revitalize deliberations by the Board of Directors.

An overview of the analysis, evaluation, and discussions is as follows.

① Major issues and status of efforts to increase effectiveness as discussed in previous fiscal year

Major issues in FY2022	Status of efforts in FY2023
① Improve agenda-setting to further enhance the supervisory functions of the Board of Directors	As described previously (② Activities of the Board of Directors), in FY2023, management issues and topics to be discussed at Board of Directors meetings were discussed at the Board of Directors twice a year and incorporated the topics identified in these discussions into the agendas of Board of Directors meetings and On-site Meetings in FY2023 and beyond in an effort to improve the agenda setting of the Board of Directors.
② Organize matters for delegating important business execution decisions	As described previously (② Activities of the Board of Directors), we revised the criteria for submitting matters for discussion to the Board of Directors and changed operations to enhance information sharing on business execution at meetings of executive-side bodies and committees.
③ Establish executive-side system	In conjunction with the aforementioned revision of the criteria for submitting matters for discussion to the Board of Directors, we revised the criteria for submitting matters for discussion to the Executive Officers' Meeting on the executive side. We then made changes to streamline meeting operating methods.

② FY2023 analysis and evaluation

1	Formulation of questionnaire	The Chairperson and Secretariat of the Board of Directors formulate a questionnaire (34 questions (6 multiple choice, 28 open-ended)) on the status of the Board of Directors' initiatives and their effectiveness, based on the issues identified in the discussions of the effectiveness evaluation of the previous year, the status and evaluation of the response to them, and new issues found by the Board of Directors in FY2023.
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2	Conducting of questionnaire survey	All 11 directors are asked to fill out the above questionnaire in April 2024.
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3	Discussions at Board of Directors meeting	Based on the responses to the questionnaire survey, at the Board of Directors meeting in May 2024, all directors discuss the matters for discussion on Board of Directors operations. The analysis and evaluation results are compiled to determine whether the Board of Directors is effective.
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4	Analysis and evaluation results	<p>Results of questionnaire evaluation from each director are summarized and discussed by the members of the Board of Directors, and the opinions are summarized as follows.</p> <ul style="list-style-type: none"> • The composition of the Board of Directors is appropriate • The operating methods and agenda-setting of the Board of Directors has improved from the previous year, and the quality of discussions has improved • Opinions and advice from outside directors have been adequately received, and follow-up on these has improved since last year. <p>Based on the above, we have judged that our Board of Directors is effective.</p>
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[Effectiveness evaluation items (questionnaire items)]

- ① Composition, deliberations, and operations of the Board of Directors (size, independence, diversity, skills, etc.)
- ② Operations of the Board of Directors (criteria for submitting matters for discussion, deliberation time, information sharing with outside directors, attendance rules for executive officers, etc.)
- ③ Self-evaluation (securing time required for duties, demonstration of expertise, awareness of management and supervisory perspectives (inside directors), supervision from an independent standpoint (outside directors))
- ④ Ensuring the effectiveness of the Board of Directors (effectiveness as a monitoring-type Board of Directors, how to further separate execution and supervision, etc.)
- ⑤ Methods of evaluating effectiveness next year and beyond
- ⑥ Other (free description)

Issues and Future Initiatives

Major issues in FY2023	Initiatives in FY2024
(1) Improve the operations of the Board of Directors to further enhance its supervisory functions	The On-site Meeting, which began in FY2023 as a forum for directors to exchange opinions and discuss important matters impacting management flexibly and early, has proven to be effective, and we will take steps to improve its operation to further facilitate exchange of opinions and discussion in addition to striving to further improve methods of information sharing and the operation of briefings prior to Board of Directors meetings to enable outside directors to fulfill their supervisory functions.
(2) Consider skills matrix based on medium- and long-term management strategies	Based on the discussion of the next Medium-term Management Plan and the long-term vision, the Board of Directors will discuss revisions to current skills after consulting the Nomination & Compensation Committee.

Based on the above, we will continue working to increase the effectiveness of the Board of Directors.

(3) Nomination & Compensation Committee

Meidensha has established a voluntary Nomination & Compensation Committee as an advisory body to the Board of Directors. Its purpose is to ensure management transparency and strengthen accountability regarding nominations (appointments and dismissals) and compensation of directors.

The specific composition of the Nomination & Compensation Committee and meeting attendance in FY2023 are described in "Composition of the Board of Directors, Nomination & Compensation Committee, and Audit & Supervisory Committee and Attendance in FY2023" above.

■ Activities of the Nomination & Compensation Committee in FY2023

Month & year	Activity
April 2023	<ul style="list-style-type: none"> • Report on directors' composition and skills matrix • Consideration of Nomination & Compensation Committee composition • FY2022 director compensation report • Report on revisions to director compensation limits • Report on revisions to officer compensation system
May 2023	<ul style="list-style-type: none"> • Report on Nomination & Compensation Committee composition • Report on estimated director compensation in FY2023
June 2023	<ul style="list-style-type: none"> • Report on agenda and dates of Nomination & Compensation Committee meetings • Consideration of interviews between candidates for the next management personnel and Nomination & Compensation Committee members
July 2023	<ul style="list-style-type: none"> • Consideration of succession plans • Report on interviews between candidates for the next management personnel and Nomination & Compensation Committee members
August 2023	<ul style="list-style-type: none"> • Consideration of succession plans • Consideration of nomination of outside directors
September 2023	<ul style="list-style-type: none"> • Consideration of succession plans • Consideration of nomination of outside directors
October 2023	<ul style="list-style-type: none"> • Consideration of succession plans • Report on the direction of revisions to officer compensation system

Month & year	Activity
November 2023	<ul style="list-style-type: none"> • Consideration of succession plans
December 2023	<ul style="list-style-type: none"> • Consideration of succession plans • Consideration of executive-side nominations based on the organizational structure for FY2024
January 2024	<ul style="list-style-type: none"> • Consideration of executive-side nominations based on the organizational structure for FY2024
February 2024	<ul style="list-style-type: none"> • Report on executive-side nominations based on the organizational structure for FY2024
March 2024	<ul style="list-style-type: none"> • Report on Board of Directors composition for FY2024 • Consideration of nomination of outside directors • Consideration of revisions to officer compensation system

(4) Board of Directors Selection Policy and Appointment and Dismissal Process

Based on the basic policy for ensuring a balance between the diversity of the Board of Directors as a whole and its expertise and experience, as described in (1) ① Composition of Board of Directors above, we select individuals who will help strengthen the decision-making and supervisory functions of the Board of Directors. The Board of Directors consults with the Nomination & Compensation Committee (a voluntary committee), with independent outside directors as the main members and chair, then the Board of Directors nominates candidates by resolution. Finally, nominations are submitted to the General Meeting of Shareholders.

In the event that a director is found to be in violation of laws and regulations or the Articles of Incorporation, or to have significantly deviated from the policy for the appointment of directors, the Board of Directors will take the necessary procedures for dismissal after consulting with the Nomination & Compensation Committee.

■ Board of Directors' Skills Matrix

Position	Name	Skills expected from candidates for Directors								
		Business management	DX/ Business transformation	Sales/Marketing	Research and Development/ "Monozukuri"	Global	Finance/ Accounting	Legal affairs/ Internal control	HR development	Environment
Director	Takeshi Miida <small>Reappointment</small>	•	•	•				•	•	
	Akio Inoue <small>Reappointment</small>	•	•				•			•
	Masahiko Suzuki <small>New appointment</small>		•	•	•					•
	Masayuki Iwao <small>Reappointment</small>	•				•	•	•	•	
	Hiroyuki Takenaka <small>Reappointment</small>	•	•	•				•	•	
	Hiroji Adachi <small>Reappointment</small>	•	•		•	•				
	Marabu Kinoshita <small>Reappointment</small>	•	•	•					•	
	Kumiko Shirai <small>New appointment</small>	•	•						•	•
Director (Audit and Supervisory Committee Member)	Seiji Kato <small>New appointment</small>				•		•	•		
	Keiko Hayashi <small>Reappointment</small>						•	•	•	
	Takashi Kuroda <small>Reappointment</small>	•		•				•		
	Toshiya Nishino <small>New appointment</small>	•		•			•		•	

Notes:

1. The above Skill Matrix presents the specific skills that Meidensha particularly expects from the candidates. It does not present all knowledge and experience possessed by them.
2. Meidensha has reported the candidates for Outside Director as Independent Directors to the Tokyo Stock Exchange.

[Skills Required to the Board of Directors and the Reasons]

Meidensha believes that members of the Board of Directors should have such skills and experiences by the reasons below.

Skills	Reasons why such skill is required
Business management	With the diversification of values as social conditions change dramatically, to promote sustainability management and to strengthen the corporate governance structure by clarifying management direction by rapidly and flexibly making management decisions in order to continuously grow with the challenge to build a new society.
DX / Business transformation	It is essential to work on innovation through co-creation, operational reforms through Digital Transformation (DX), and business transformation in response to changes in society for illuminating a more affluent tomorrow.
Sales / Marketing	To formulate and execute sales strategies aimed at rapid progress in growth businesses and strengthening the competitiveness of the earnings base by realizing high quality growth in order to provide customer peace of mind and satisfaction.
Research and Development / "Monozukuri"	To enhance product competitiveness which is necessary for high quality "Monozukuri" (design, manufacture, construction, and maintenance) to maintain a safe and secure social infrastructure and for provision of value, along with creating new technologies and new products.
Global	To promote initiatives aimed at building a strong business base for overseas business and further enhancing the earning power necessary to meet the world's new infrastructure demands.
Finance / Accounting	To manage capital efficiently, invest in growth businesses, and deliver shareholder returns, together with making accurate financial reports.
Legal affairs / Internal control	To strengthen internal control and compliance / risk management structure, the base for honest and responsible business operations.
HR development	To enhance wellbeing and employee engagement and to promote initiatives such as DEI (Diversity, Equity & Inclusion), in order for diverse human resources, who are the source of corporate value, to be able to grow and play an active role in a lively way, where each person can derive fulfillment from their work.
Environment	To expand businesses that contribute to the environment and to promote green strategies focused on internal decarbonization which are necessary to realize carbon neutrality.

(5) Successor Planning

Meidensha selects several candidates to succeed the top executive from among those appointed as directors or executive officers with titles who have undergone education and training and who meet certain requirements and contribute to enhancing our corporate value.

In replacing the top executive, it is identified which of the candidates should be the successor after consulting with the Nomination & Compensation Committee. The Executive Officers' Meeting and the Board of Directors scrutinize the requirements and eligibility, identify a candidate, and finally decide who will be the top executive.

(6) Executive Officer System and Executive Structure

Meidensha introduced an executive officer system in June 2003 in order to streamline the Board of Directors, as well as to accelerate management decision-making and to enhance supervisory functions. At the same time, we sought to reinforce the functions of the Board of Directors by promoting the separation of the decision-making authority and supervisory function from the business performance function held by the Board of Directors.

Based on the Articles of Incorporation, executive officers selected by the Board of Director's Meeting assume responsibility for the execution of specified tasks within the scope of authority transferred by the Executive Officers' Meeting and the President and Executive Officer, and nimbly perform executive functions under the supervision of the Board of Directors, in accordance with the Meiden Group's management policies determined by the Board of Directors.

The Executive Officers' Meeting, which comprises Executive Officers with Titles, is created for executive decision-making, and decides matters based on the rules of internal approval, as well as matters for which consultation from a full-company perspective is required.

Furthermore, apart from the meeting body to make decisions, we established review meetings and strategy meetings to serve as advisory and internal bodies, and with regard to important management matters, we created a system wherein thorough discussion and deliberation are conducted prior to decision-making, and follow-up strategy and planning and improvement initiatives are conducted following decision-making.

Summaries and key points of proceedings at the Executive Officers' Meeting and other internal bodies are reported at the regular meeting of the Board of Directors for the month as a report on business execution. This helps to ensure and improve the effectiveness and supervisory functions of the Board of Directors.

Decisions on business execution matters not submitted to the Executive Officers' Meeting for discussion are made by executive officers who have authority over business execution and strive to execute operations proactively and flexibly.

In addition, the Board of Directors delegates part of its business execution authority to executive officers via the directors, and the executive officers are required to submit a report on the status of business execution to the Board of Directors at least once every 3 months, which helps ensure that the Board of Directors can supervise effectively.

(7) Auditing System

Our Audit & Supervisory Committee consists of 4 directors who are Audit & Supervisory Committee members (including 3 outside directors and 1 full-time inside director).

The Audit & Supervisory Committee audits the directors' execution of duties and confirms from a fair, unbiased, and objective standpoint the basic policy regarding the development of internal control systems and the status of their development and operation. Attendance at meetings of the Audit & Supervisory Committee and the like by each member are described in the aforementioned "Composition of the Board of Directors, Nomination & Compensation Committee, and Audit & Supervisory Committee and Attendance in FY2023."

In principle, the Audit & Supervisory Committee is held once a month before the Board of Director's Meeting. The purpose is to enable the Audit & Supervisory Committee to form its own intentions on matters to be discussed at Board of Director's Meetings prior to the Audit & Supervisory Committee. In case there is a quarterly audit report from the accounting auditor, Audit & Supervisory Committee is held

on the same day as the Board of Director's Meeting. In that case, the Audit & Supervisory Committee is held twice a month. In FY2023, meetings lasted an average of roughly 90 minutes, and there were 60 agenda items for the year.

In addition, we established the Support and Advisory Division for Audit & Supervisory Committee exclusively to aid the Audit & Supervisory Committee. It has 4 members with legal, sales, factory, quality control, R&D, overseas business planning, and internal auditing experience (as of March 31, 2024).

(8) Internal Auditing System

① Organization

Meidensha has established the Internal Auditing Division (17 members as of March 31, 2024).

As an organization under the direct control of the President and Executive Officer, the Internal Auditing Division is independent from other executive lines. It conducts internal audits to check the effectiveness and efficiency of business operations, the reliability of financial reporting, the status of compliance with laws and regulations, and the maintenance of assets, covering Meidensha and all Meiden Group companies in Japan and overseas. After conducting these audits, the division follows up with the audited departments in writing or in person to improve the effectiveness of internal audits.

In addition, the division promotes efforts to strengthen the system by hiring certified internal auditors and other qualified personnel with the aim of further improving audit quality.

Regarding relationships with internal control divisions, the Internal Control Promotion Division which is a specialized division establishes risk management systems that integrate the entire Meiden Group and promotes enhancement of internal control systems, the Audit & Supervisory Committee and Internal Auditing Division monitor internal control systems, and the Internal Control Promotion Division, Audit & Supervisory Committee, and Internal Auditing Division work together to enhance the effectiveness of internal control.

② Method of audits

In FY2023, the internal audits were mainly conducted by 2 methods.

At Meidensha, the company-wide risks confirmed by the Risk Management Committee were reassessed from the perspectives of the Internal Auditing Division, and risk-based audits targeting the highest-priority risk areas were conducted in 9 divisions selected based on risk factors focused on by management and other risks.

To improve the coverage of risks in audits of subsidiaries, we conduct standardized audits with audit standardization tools. We plan to conduct standardized audits of all subsidiaries between FY2021 and FY2024. In FY2023, we audited 8 domestic subsidiaries and 11 overseas subsidiaries.

The Internal Audit Regulations stipulate that internal audit results are to be reported to the President & Executive Officer, the Board of Directors, the Executive Officers' Meeting, and the Audit & Supervisory

Committee.

In FY2023, reports were presented monthly to the President & Executive Officer, semiannually to the Board of Directors and the Executive Officers' Meeting, and 11 times to the Audit & Supervisory Committee. Internal audit reports are also sent to the members of the Executive Officers' Meeting and standing Audit & Supervisory Committee members each time one is issued.

(9) Strengthening Group Governance

The Meiden Group is working to continuously strengthen group governance by developing basic policies based on the "Basic Policy regarding Establishment of a System to Ensure the Appropriateness of Business Activities" at each Meiden Group company, establishing a regulatory framework, and implementing the PDCA cycle.

1. Major Initiatives in FY2023

The Group Company Internal Control Committee is held twice a year to share with domestic subsidiaries information on important top risks for the Meiden Group as discussed by the Risk Management Committee for domestic subsidiaries and the progress of risk management at each company. In addition, all domestic subsidiaries finished revising their basic policies for internal control systems and establishing important rules and regulations in line with their circumstances.

Furthermore, to strengthen internal control throughout the Meiden Group, we conducted internal audits of 8 domestic subsidiaries and 11 overseas subsidiaries to confirm the status of internal control development and operation, and visited 8 overseas subsidiaries to foster a common understanding of the importance and challenges of strengthening governance and compliance.

(10) Basic Policy and Current Status of Cross-Shareholdings

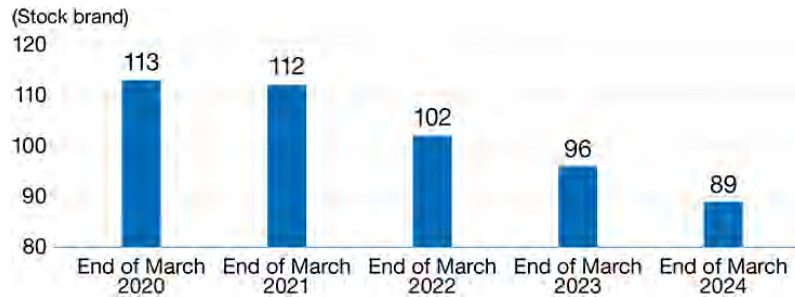
Our basic policy is to hold cross-shareholdings that contribute to enhancing our corporate value and consider selling those that no longer seem reasonable to own for the purpose to maintain and expand transactions and to secure and strengthen medium- to long-term cooperative relationships with partners and fellow alliance members, taking account of market conditions and other factors.

Under this policy, we decide to keep or reduce its current holdings of listed stocks based on a comprehensive assessment of whether the ratio of each stock's return (dividends, related trading profits, etc.) to market value meets the target cost of capital, policy factors, and so on.

In FY2023, the 96 listed and unlisted stocks held as of March 31, 2023 (balance sheet amount: 16,418 million yen), we sold our entire holdings of 2 listed stocks, and 5 unlisted stocks were liquidated or went bankrupt, resulting in a decrease in the number of stocks held to 89 as the end of March, 2024. However, due to a substantial increase in the share prices of the listed stocks we continue to hold, our balance sheet amount of cross-shareholdings was 26,280 million yen. This represents 20.3% of consolidated net assets as the end of March, 2024.

Based on the aforementioned policy, the Board of Directors annually reviews and reduces our cross-shareholdings as shown in the table below. In addition to the basic policy, in FY2024, we will examine the ideal state of cross-shareholdings and take appropriate actions while devoting attention to improving asset efficiency and securing resources for growth investments during the next Medium-term Management Plan.

Reduction in the number of cross-shareholdings in the past 5 years



Directors' Compensation

Directors compensation policy

i Level and System of Compensation

The level of compensation of Meidensha's directors is determined based on external objective compensation market data, economic conditions, industry trends, and Meidensha's business circumstances, etc. Giving consideration to this level, the content of the director's compensation system is determined in the form of internal regulations on director's compensation after consultation and confirmation by the aforementioned voluntary Nomination & Compensation Committee, chaired by an outside director.

ii Composition of Compensation

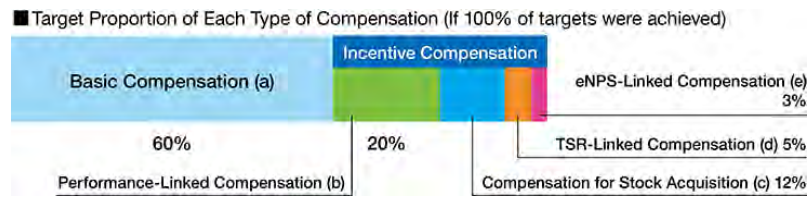
(a) Directors (excluding Audit & Supervisory Committee members and outside directors)

Compensation of directors (excluding Audit & Supervisory Committee members and outside directors) is based on an annual salary system with performance-linked compensation and comprises basic compensation (a) and incentive compensation according to position. Of these, incentive compensation comprises performance-linked compensation (b) as a short-term incentive and compensation for stock acquisition (c), TSR (total shareholder return)-linked compensation (d), and eNPS-linked compensation (e)* as medium- to long-term incentives.

* eNPS: Net Promoter Score (NPS®) for employees. NPS® is a registered trademark of Bain & Company, Fred Reichheld, and Satmetrix Systems.

* The addition of eNPS-linked compensation was approved by the Board of Directors on May 10, 2024, and went into effect following the 160th Ordinary General Meeting of Shareholders held on June 25, 2024, and the Board of Directors meeting held on the same date.

Target Proportion of Each Type of Compensation (if 100% of targets were achieved)



(b) Directors and Outside Directors Who Are Audit & Supervisory Committee Members

Directors and outside directors who are Audit & Supervisory Committee members only receive basic compensation on annual salary system basis.

iii Incentive Compensation System

The performance indicator for calculating performance-linked compensation as a short-term incentive is decided after the annual general meeting of shareholders for the relevant fiscal year. It is decided based on the operating income of the previous fiscal year to raise awareness of the need to improve performance, especially profitability, each fiscal year. The performance-linked compensation indicator varies from 0 to 140 depending on the degree to which targets were achieved, with perfect achievement counting as 100.

Operating income for FY2022 was 8.539 billion yen compared with a target of 12 billion yen, which represents an achievement rate of 71.2%.

Calculation Formula

$$\boxed{\text{Basic Remuneration for Each Position}} \times \boxed{\text{Coefficient According to Achievement Level of Target Operating Income (0.0 to 1.4)}}$$

Meidensha provides compensation for stock acquisition, TSR (total shareholder return)-linked compensation, and eNPS (Employee Net Promoter Score)-linked compensation as medium- to long-term incentives to sustainably increase corporate value and further promote the alignment of interests among directors (excluding Audit & Supervisory Committee members and outside directors) and shareholders.

- (1) The amount of compensation for stock acquisition is determined for each position based on internal rules on officers' compensation. The amount is contributed to the Officers' Shareholding Association to acquire shares.
- (2) The TSR-linked compensation indicator generally fluctuates between 80 and 120 depending on relative TSR (the ratio of the Company's TSR at the end of the latest fiscal year to the TSR of the TOPIX benchmark including dividends corresponding to the Company's TSR calculation period); for reference, when the relative TSR is 1, the indicator is 100.
Notably, since FY2023 was the year we introduced TSR-linked compensation, we paid the standard amount of TSR-linked compensation by position.

Calculation Formula

$$\boxed{\text{Position-specific basic TSR-linked compensation}} \times \boxed{\text{A factor based on relative TSR (0.8 to 1.2)}}$$

- (3) The eNPS-linked compensation indicator generally fluctuates between 60 and 140 depending on the increase or decrease in the eNPS score; for reference, the eNPS score for the final business year calculated from the results of the annual employee awareness survey exceeds the score for the previous business year*, the amount to be paid is 100.

Calculation Formula

$$\boxed{\text{eNPS-linked compensation standard amount by position in accordance with internal regulations on officer compensation}} \times \boxed{\text{Coefficient commensurate with change in eNPS score (0.6 to 1.4)}}$$

* When change in eNPS score is greater than 0 but less than 1

iv Compensation Determination Procedures

Details of the compensation system and the amount of compensation (including the rules that it is calculated in accordance with the standards of the compensation system and is within the compensation limits decided at the General Meeting of Shareholders) are confirmed and deliberated from an objective point of view by the voluntary Nomination & Compensation Committee.

Specific details of the amount of compensation for each individual are delegated to the President & Executive Officer (the "President"), who is a director, based on a resolution of the Board of Directors. The reason for this delegation is that, as the person with the highest responsibility for the execution of Meidensha's business operations, the President is best suited to evaluate each director while maintaining a bird's-eye view of Meidensha's overall performance. To ensure that the President exercises this authority properly, the Board of Directors establishes procedures for the President to consult and obtain confirmation of the draft in advance from the voluntary Nomination & Compensation Committee. Moreover, the President's decision must consider the details of such confirmation or report, and the Board of Directors has also respected such reports and determined that the details of compensation for each individual director are in line with the decision-making policy. In FY2023 the Board of Directors resolved at its meeting on June 28, 2023, to delegate President Akio Inoue to determine the specific details of the amount of compensation for directors.

Compensation for directors who are members of the Audit & Supervisory Committee is determined by the same committee within the compensation limit decided at the General Meeting of Shareholders. An appropriate amount is set to reward the services of committee members, taking into consideration whether they are standing or non-standing and the nature of their respective auditing duties.

FY2023 Results

Classification	Total Amount of Compensation, etc. (millions of yen)	Total Amount of Each Type of Compensation, etc. (millions of yen)		Number of People
		Basic compensation	Incentive compensation	
Directors (excluding Audit & Supervisory Committee members and Outside Directors)	233	154	79	5
Outside directors (excluding Audit & Supervisory Committee members)	32	32	-	4
Directors who are Audit and Supervisory Committee members (excluding Outside Directors)	28	28	-	1
Outside directors who are Audit & Supervisory Committee members	29	29	-	3
Total	323	244	79	13

Notes

1. Amounts are rounded down to the nearest 1 million yen.
2. The totals above include 2 directors (including 1 outside director) who stepped down from their positions at the end of the 159th Ordinary General Meeting of Shareholders held on June 28, 2023.
3. The amount of compensation, etc. for directors (excluding Audit & Supervisory Committee members and outside directors) does not include employee salaries for directors who concurrently serve as employees.

Board of Directors & Executive Officers as of July, 2024

[Board of Directors & Executive Officers as of July, 2024 >](#)

Risk Management

Policy

Basic Approach

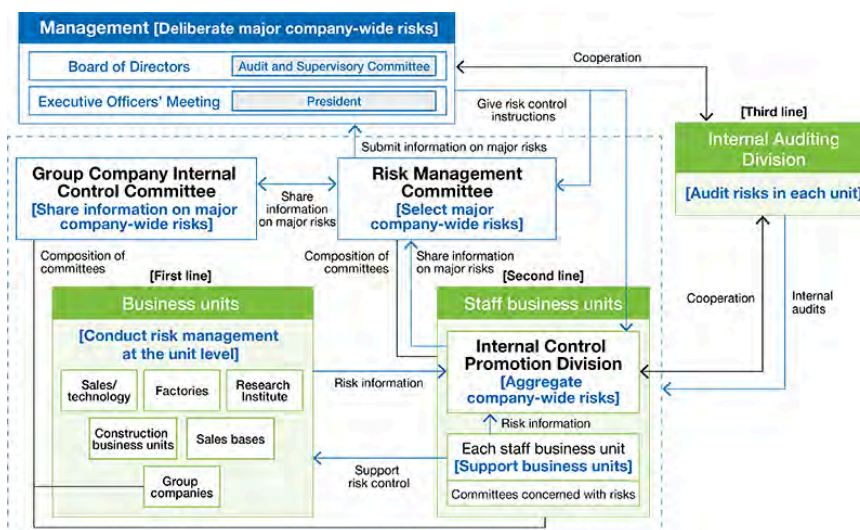
Businesses face conditions that change day to day: climate change, natural disasters growing in frequency and intensity, growing geopolitical risks, increasing digitalization, and diversifying values. Under these circumstances, we must accurately identify the wide range of potential future risks and respond appropriately if we are to sustainably increase our corporate value.

The Meiden Group has created an ERM (Enterprise Risk Management) system designed to identify all types of major business risks to the Group as a whole so that management can discuss them and control them in an integrated manner.

In addition to everyday risk management, we also have an organization-wide BCM (Business Continuity Management) system for managing and responding to business continuity risks caused by accidents or disasters. Through this, we aim to be able to respond to constantly changing risks during both regular operation and emergencies.

Risk Management Structure

The Meiden Group is building a risk management system using the following three-line model.

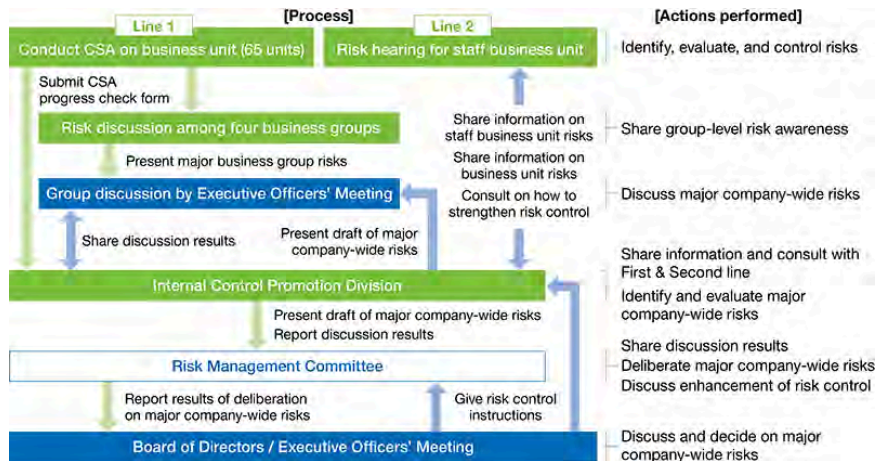


[Explanation of terms]

First line	In our business units (the first line), including plants and domestic and overseas subsidiaries, we have introduced Control Self-Assessment (CSA). With this tool, each unit identifies, assesses, and controls its own risks. To identify risks, units refer to a 120-item risk list to ensure their review is comprehensive. Each unit then evaluates the major risks it identified, focusing on scale of impact and likelihood of occurrence.
Second line	The second line consists of staff business units with expertise in general affairs, legal affairs, human resources, and more. These units monitor and support the CSAs performed by the first line.
Third line	The internal audit department (the third line) conducts regular audits to verify that the first line's CSA cycle and second line's support are functioning effectively. The status of internal audits is reported to the Executive Officers' Meeting, the Board of Directors, the Audit and Supervisory Committee, and key Company management as needed.
Risk Management Committee	Heads of staff business units serve on this committee, which meets twice a year to discuss major company-wide risks as aggregated by the Internal Control Promotion Division. The committee selects major company-wide risks, determines which departments have jurisdiction over them, and clarifies the responsibilities of those departments. The committee also discusses new major risks to strengthen risk control.
Internal Control Committees at Group companies	These committees consist of directors of subsidiaries and meet twice a year to take reports on the status of each company's CSA and share information on major risks for the Meiden Group as a whole. The committees also take part in risk discussions among subsidiaries to enrich the conversation.

Operations of the Risk Management Committee

The Risk Management Committee consists of the heads of Headquarters staff business units. Twice a year, it deliberates on the important business risks of the Meiden Group as identified by the Internal Control Promotion Division, then selects major company-wide risks. The committee determines which units have jurisdiction over each risk and discusses policies for dealing with the risks. Management holds discussions on the business risks previously discussed by the Risk Management Committee and further debates them in meetings of the Executive Officers' Meeting and Board of Directors to determine the important business risks of the Meiden Group and policies for dealing with them.



Major Risks from Business Activities

The Meiden Group stipulates major business risks to the entire Meiden Group through regular discussion among management according to systems such as those listed above. Risks that the Group considers could have a serious impact on its operations are as follows.

Major Risks Facing the Group

No.	Risk	Impact	Risk assessment		
			Likelihood	Speed of materialization	Likelihood of harm to brand
1	Climate change	Large	High	Somewhat slow	High
2	Reduced quality	Large	High	Normal	Somewhat high
3	Geopolitical risks	Large	Medium	Extremely fast	Somewhat high
4	Occurrence of industrial accidents	Large	Medium	Extremely fast	Somewhat high
5	Human rights violations	Large	Medium	Somewhat slow	High
6	Inadequate labor management	Large	Medium	Normal	Somewhat high
7	Insufficient awareness or responsiveness to change in market conditions	Large	High	Somewhat slow	Normal
8	Occurrence of a natural disaster	Large	Medium	Extremely fast	Normal
9	Insufficient personnel	Large	High	Extremely slow	Normal
10	Inadequate cyber measures	Large	Medium	Extremely fast	Normal
11	Insufficient internal information management	Large	Medium	Somewhat fast	Normal
12	Inadequate procurement management	Large	Medium	Somewhat fast	Normal
13	Breach of Antimonopoly Act or bribery	Large	Low	Extremely fast	High
14	Quality fraud/inspection fraud	Large	Low	Normal	High
15	Losses due to fluctuations in exchange rates, interest rates, stock prices, and land prices	Medium	High	Normal	Normal
16	Breach of Construction Business Act	Medium	Medium	Normal	Somewhat high
17	Incomplete control of overseas subsidiaries	Large	Low	Normal	Somewhat high
18	Misconduct by an individual	Large	Low	Normal	Somewhat high
19	Insufficient or poor internal communication	Medium	High	Extremely slow	Normal
20	Environmental regulations	Large	Low	Somewhat fast	Somewhat high

Note: Risk assessment is an independent analysis of the various risks faced by the Group rather than a general risk assessment.

Initiatives

Risk Management Relating to Business Activities

Preliminary Risk Assessment

The Meiden Group's preliminary risk assessment system, based on our Basic Policy on the Establishment of a System to Ensure the Appropriateness of Business Operations, is designed to provide information for management decision-making. In our system, we hold a preliminary risk assessment meeting to carefully consider matters that may have a significant impact on the Group. Projects subject to review are generally classified as large scale EPCs, M&As, partnerships, new businesses, or other matters that require a resolution by the Executive officers' meeting according to regulations.

In FY2023, we conducted preliminary risk assessments on 5 cases. Including these, we have not yet identified any cases that have caused new losses. Preliminary risk assessment plays an important role in managing risk prior to the start of a project.

There are four key parts to preliminary risk assessment, as follows.

- (1) Identify and assess the high risk factors of EPC project such as risk of construction works and project profit and take necessary measures to the project.
- (2) Identify and assess contract risk such as commercial and technical conditions regard to tenders, partnerships etc., and enhance risk management to the relatives.
- (3) Analyze risk from multiple perspectives by third party experts and take measures to reduce risk.
- (4) Through discussions, encourage the unit proposing the action to provide information necessary for management decision-making, such as relevance to business strategy, appropriateness of risk estimates, and feasibility of various plans.

As mentioned above, in the preliminary risk assessment, we evaluate not only financial risks, but project risks, operation risks, etc. The Corporate Policy Planning Group and the Internal Control Promotion Division serve as the secretariat for assessments, and their supervising officers determine whether a meeting needs to be held. Other units involved include the Corporate Governance Management Group, the Accounting and Financing Group, and the Sales Planning & Administration Group.

During M&A, a third-party unit performs the due diligence. Besides doing a financial investigation of the target company, we also evaluate it from an ESG perspective to strengthen risk management. This includes the target's corporate culture, legal compliance systems including human rights concerns, compliance with environmental regulations, labor conditions, occupational health and safety, and other factors.

Policies, Plans, and Targets

Business Continuity Plan (BCP)

Basic BCP Policy

The Meiden Group Basic BCP Policy stipulates the Meiden Group's basic policy on business continuity, business continuity targets, and response in the event of a disaster, etc., and is applied at each business unit and subsidiary.

- (1) In the event of a disaster, it is our utmost priority to ensure the safety of all employees, their family members, and customers.
- (2) We contribute to swift reconstruction and recovery from disasters, considering our corporate social responsibility as a company that supports social infrastructure.
- (3) Limit impact on customers and Meidensha's businesses as much as possible.

Medium-term Management Plan 2024 Initiatives

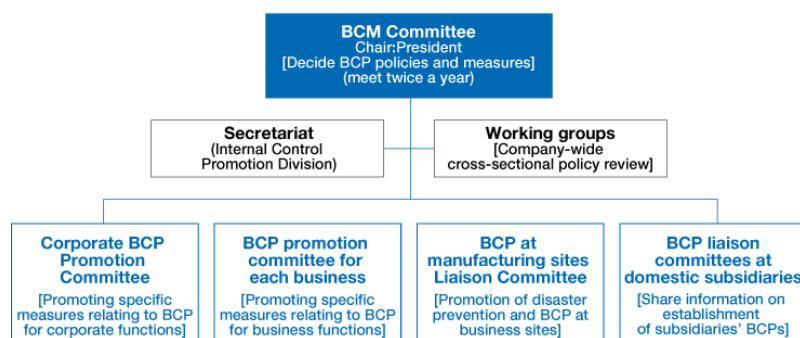
We will promote the Medium-term Management Plan 2024, paying particular attention to the following items relating to disaster-prevention and BCP.

- **Ongoing BCP initiatives**
 - Moving from an earthquake-based BCP to an "all-hazard" BCP that applies to a range of risks
 - Establishing a BCP and creating systems to maintain, evaluate, and confirm its effectiveness
 - Continuing education and training, and ensuring that each employee is involved with BCP initiatives
 - Extending the BCP to overseas subsidiaries, and creating a BCP with a global perspective

- **Improving corporate and organizational resilience**
 - Encouraging independent promotion of BCPs by business units, and work to improve Disaster responsiveness by company organization
 - Considering alternative production sites for important operations
- **Contributing to society and communities**
 - Contributing to disaster-resilient community development by supplying Meidensha's BCP products and corporate BCP initiatives to communities and society

System

BCM Promotion System



Under the BCM Committee, which determines the Meiden Group's BCP policy and measures, the Meiden Group established the Corporate BCP Promotion Committee, BCP promotion committees for each business, BCP liaison committees at domestic subsidiaries, the Working Group to discuss company-wide issues and promotes BCP throughout the Group.

Initiatives

Fourth Natural Disaster Response Headquarters Drill

In September 2023, we conducted a company-wide natural disaster response headquarters drill to verify the effectiveness of BCPs that had been created. The purpose of this drill was to have the company-wide natural disaster response headquarters make decisions concerning the restoration of production sites damaged in a disaster. For this reason, we created a hypothetical scenario in which a company-wide natural disaster response headquarters meeting was being held 4 days after the Nagoya Works and the Chubu Branch Office were damaged by a Nankai Trough earthquake. The hypothetical damage information used in the drill was prepared in advance by the Nagoya Works and each unit, making it possible for the drill to be conducted under realistic conditions. The company-wide natural disaster response headquarters meeting deliberated on the decision to dispatch personnel for facility restoration, the determination of which plant to prioritize for restoration, and possibilities for replacing the production of these plants. Based on the results of the drill, we will reorganize and adjust the information and reporting routes necessary for decision-making to improve our BCPs.



Scenes from the drill



The simulated company-wide natural disaster response headquarters meeting

Works Prevention and BCPs Workshop

The activities implemented in affected areas are of particular importance in the early stages of disaster response. Meidensha has been conducting workshops on disaster prevention and BCP at its business sites since FY 2022. In FY 2023, we held workshops at the Ohta Works and for the Tokyo area. Participants reconfirmed hazardous areas on the premises of their site as well as disaster supply storage locations, and discussed evacuation methods as well as what to do in the event of a need to stay on-site.

Since all divisions, including subsidiaries at the same production site, had not previously come together under the theme of disaster prevention and BCP, the sharing of information held by the area disaster response headquarters as well as measures implemented at each workplace helped to deepen understanding of disaster prevention and disaster management trends within the area.

The content of the workshops was reflected in BCPs and disaster prevention plans, helping the participating sites to prepare for a disaster.



The workshop at the Ohta Works



The workshop for the Tokyo area

Establishing BCPs at Overseas Subsidiaries

Meiden Group subsidiaries outside Japan have also begun establishing BCPs. Japanese and local staff work together to design the optimal BCP for each company. This effort is starting with the ASEAN region, India, and China. Subsidiaries in these regions aim to complete their BCP manuals by the end of FY2023. We are committed to advancing this initiative to ensure business continuity for the entire Meiden Group, including overseas subsidiaries.

Employee Education on Disaster Prevention and BCP

Disaster prevention and BCP training is included in the curriculum of personnel education for each level of employment and is provided continually. In FY2023, we again gave training for new employees and

mid-career hires. We have also conducted extensive awareness-raising initiatives, including disaster prevention and BCP training for employees working at domestic sites and training for BCP staff of Meiden Group companies.

In addition, we created a training video to further spread the word about our disaster prevention and BCP efforts. The video was released in May of 2023 and we have worked to ensure that all Group employees view it.



Employee BCP training video

Policy

Strengthening Information Security Management

The Meiden Group understands that ensuring the security of the information we handle is a most critical issue. We therefore protect information assets from disasters, accidents, criminal acts, errors, and other threats. We also maintain and enhance information management to prevent leaks, tampering, theft, or loss. Further, thorough information security management, we maintain the safety of the products and services we provide to our customers.

Meidensha Basic Information Security Policy

1. Purpose and Scope of Information Security

Meidensha (hereinafter the “Company”) is aware that ensuring security of information assets handled by the Company is a major management issue for the Company, and protects information assets from threats such as disasters, accidents, crime, negligence, and cyber risks.

By establishing and maintaining information security management, we aim to prevent information security incidents such as leakage, falsification, or theft of information, build relationships of trust with a range of interested parties, including shareholders and customers, and improve corporate value of the Company.

This basic policy applies to all personnel who handle information assets managed by the Company.

2. Legal Compliance, etc.

The Company complies with obligations imposed by laws and agreements that relate to business activities.

Everyone involved with business activities ensures thorough compliance with matters required by laws and regulations, obligations imposed by agreements, this policy, and internal management regulations relating to information security.

3. Establishment and Maintenance of Information Security

The Company provides for information security management such as by nominating an Information Security Manager and an Information Security Business Unit Managers, and establishing an office, has established regulations and procedures, etc., based on the Basic Information Security Policy, and continuously maintains and improves information security.

System

Information Security Control System

Taking into consideration the risks posed by increasingly sophisticated cyber attacks in recent years, Meidensha has undertaken a company-wide system review to strengthen its information security control system.

To enhance our information security measures for the products and services we provide to customers, we established the new PSIRT.*1 To enhance internal information security, we established the FSIRT*3 to oversee factories under the CSIRT.*2 In addition, we established the PrSIRT,*4 which aims to reduce supply chain risks. These specialized teams will take the lead in routine countermeasures and incident response. Further, we have assigned a SIRT manager in charge of information security to each unit to ensure that employees throughout the unit are familiar with relevant rules, provide education, and scrutinize and improve information security implementation on an ongoing basis. In addition, we have established a general contact point (MEIDEN-SIRT) to facilitate cooperation with each unit and to provide rapid response to information security risks and incidents.

The Information Security Committee is chaired by the director in charge of information systems and deliberates on the drafting, evaluation, and improvement of information security measures, as well as investigations into the causes of incidents and the prevention of recurrences. The status of information security operations is regularly explained to and approved by the president and management.

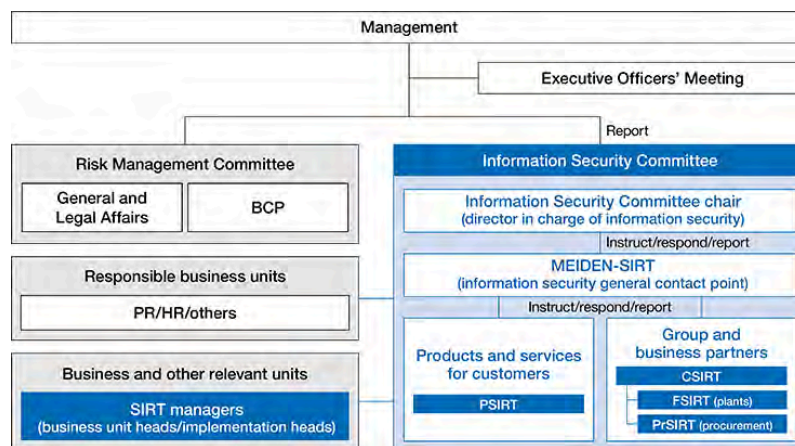
*1 PSIRT : Product Security Incident Response Team

*2 CSIRT : Computer Security Incident Response Team

*3 FSIRT : Factory Security Incident Response Team

*4 PrSIRT : Procurement Security Incident Response Team

Information Security Control System



Information Security Management

The Meiden Group conducts information security audits of Meidensha and subsidiaries, mainly through the Information Security Committee, and verifies and evaluates whether security measures are actually being implemented and function.

At present, some of Meidensha and its domestic subsidiaries have received Information Security Management System (ISMS) certification.



Initiatives

In fiscal 2023, we are continuing to implement initiatives to reinforce information security for the entire Meiden Group.

Analysis of Incidents and Countermeasures for Each Cause

Meiden Group strives to implement sustainable security measures within the framework of “prediction/protection/detection/response/restoration.” We analyze and implement both hardware and software measures to protect data from unauthorized logins, etc., and virus infections from suspicious emails, such as targeted attacks, as well as measures mainly aimed at combatting human factors such as theft, loss, or mishandling of information devices.

Further, to strengthen our ability to respond to increasingly sophisticated cyber attacks in recent years, alongside our existing multi-layer defense measures, we have implemented various additional measures with a “zero trust” approach in mind. In terms of systems, we have initiated efforts to strengthen externally facing information security measures (concerning products and services) and have developed internal systems to speed up incident response.

Information Security Education and Training

All of the Meiden Group’s officers, employees, dispatch workers, and contract workers, etc., engage in information security education. In FY2023, we conducted e-learning covering an introduction to information security as well as information security threats based on case studies. The e-learning was attended by 90% of employees, plus materials were sent to those who were unable to attend online.

We continue to conduct suspicious email drills as education about cyber attacks such as targeted email attacks.

Going forward, we will continue to strengthen hardware and software measures and continue to conduct personnel measures, such as information security education and suspicious email drills. We will continue to roll out measures for information security on a group-wide basis.

Enhancement of Supply Chain Information Security

Since FY2017, we have continuously conducted activities to enhance our suppliers' information security. We ensure that suppliers are aware of information security measures as management issues, and we hold training and information sessions as required.

We continue to support our business partners' efforts to strengthen information security. We do so through four measures designed to prevent information security incidents: awareness raising, education, visitations, and information sharing.

- **Awareness raising:** We have strengthened and encouraged our business partners' voluntary enhancements of information security by utilizing the SECURITY ACTION program of the Information-technology Promotion Agency, Japan (from FY2021). We also recommend that our business partners acquire stars (logos) representing their level of efforts to address information security to make evaluation more visible.
- **Education:** We provide group training at each works, share information on information security measures and risk case studies at production plan briefing sessions, and hold SECURITY ACTION program information sessions.
- **Visitations:** We perform on-site diagnosis of information security risks during visits to business partners.
- **Information sharing:** We publish an information security newsletter and provide educational content on the online Supplier Portal.

In this way, we are continuing to conduct activities to enhance information security throughout the entire supply chain.

Compliance

Policy

Compliance Policy

The Meiden Group fully understands domestic and overseas laws, including those relating to corporate activities, customs, and all other social norms and spirit. The Meiden Group complies with and respects these, and has developed the Meiden Group Code of Conduct to constantly maintain a high standard of corporate ethics and social decency.

In accordance with this code of conduct, the Meiden Group aims to sincerely engage in activities to live up to the trust of customers and society. Directors, executive officers, and general managers of Meidensha and each Group company play a central role in promoting compliance in each of their workplaces, in accordance with the Meiden Group Compliance Promotion Rules.

System

Compliance System

Meidensha has enhanced and constructed a compliance promotion framework that is an important pillar of risk management, by integrating the Legal Affairs Division and the Enterprise Risk Management Division into the Governance Headquarters in April 2022. The Legal Affairs Division is the office responsible for the Compliance Committee, which is chaired by the member responsible for compliance, and convenes twice each year to determine compliance action plans.

Based on these action plans, the staff business units, led by the Legal Affairs Division, conduct compliance training for all Group companies on observing antitrust laws, preventing corruption and harassment, and other issues. In addition, the Compliance Committee secretariat handles matters related to compliance reporting and works to resolve any legal issues that arise. These compliance-related activities are reported during regular meetings of the Compliance Committee and at meetings of the Board of Directors.

Each workplace has a compliance manager, who reports matters being discussed at the workplace and issues that have been discovered that relate to compliance, to the Compliance Committee. The Compliance Committee shares information reported to it with compliance managers through compliance training, etc. This strengthens communication and reporting systems.

Each Japanese company in the Meiden Group has a similar compliance committee and compliance manager system to Meidensha. Moreover, we take a survey of overseas Group companies that helps us continually develop our internal control system such as promoting understanding of on-the-ground conditions of compliance systems at each company.

Compliance System



Whistleblower System on Compliance

The Meiden Group has a whistleblower system for compliance. This is to prevent illegal actions and misconduct and to solve problems as early as possible.

The internal whistleblower system includes the internal reporting system (Compliance Hotline) dealing with a broad range of compliance issues including breaches of laws such as the Antimonopoly Act, breaches of general anti-corruption regulations such as those dealing with bribery, other breaches of internal or external rules, and labor problems and the Harassment Consultation Hotline, which is specifically designed to deal with harassment. The External Hotline is a hotline operated by outside lawyers for early detection and rectification of unlawful acts, etc. We also provide a whistleblower hotline exclusively for use by our suppliers. In 2023, we also established a new external harassment consultation service as we develop the means for employees to consult with greater peace of mind.

The external hotline (Compliance Hotline) enables employees to lodge reports using a dedicated email address. The external hotline is handled by a law firm, and may be used by employees of the Meiden Group (including retirees), temporary staff and subcontractors, and suppliers.

These internal and external systems can both be used anonymously, and accept a wide range of reports.

The Compliance Committee secretariat works with relevant departments to investigate reports that are brought to the external hotline and, if necessary, consults with lawyers to deal with them. We are working to increase the dependability of management of information, such as the names of whistleblowers, and the whistleblower system as a whole, in accordance with national guidelines, to ensure that whistleblowers are not disadvantaged by using the system.

In FY2023, the Meiden Group received 79 reports and consultations, of which we thoroughly confirmed which cases required a response and dealt with them accordingly. When a report is received, Audit & Supervisory Committee Members are informed in a timely manner. The Audit Department conducts internal audits of the operation of the system.

In response to the 2022 enforcement of the revised Whistleblower Protection Act, we have reviewed and improved our regulations and systems by more clearly indicating our hotlines and further strengthening

whistleblower protection. We have also finished setting up hotlines at all Group companies, including those overseas.

System to Respond to Individual Incidents

Managers who become aware of illegal or inappropriate activities are obligated to promptly report them to their immediate superior. The system ensures that reports reach responsible officers (executive officer level or above) in each department. Compliance breaches that are detected internally, such as illegal or inappropriate activities, are investigated and handled under the direction of the head of the business unit, who serves as a member of the Compliance Committee. We work to introduce cases that cause compliance problems or which may do so through compliance training and to thus prevent their reoccurrence as appropriate.

Initiatives to Avoid Infringement of Human Rights

Harassment Prevention System

Harassment is one of the compliance issues regarding which consultation is most frequently sought, so we established the Harassment Prevention Committee to create a system that is specifically designed to handle harassment issues, and we are working to centralize handling of confidential information and responses as well as enhance activities to promote understanding.

When a report of harassment is made, responses are required that are considerate of personal relationships, and particularly those of the reporter, so we created a system to avoid infringement of human rights by establishing a hotline that is specifically designed to deal with harassment issues and creating an environment that is conducive to talking about issues. In addition, we are working to raise awareness about our anti-harassment measures. For example, the scope of the anger management training for managers was extended to other employees as well starting in FY2022. Our goal is to firmly entrench these lessons in the Meiden Group and provide better guidance.

	Unit	FY2021	FY2022	FY2023
Anger management training	People	289	2,350	1,921
Unconscious bias seminar	People	200	321	322

Initiatives

Compliance Training

The Meiden Group conducts compliance training every year, in order to maintain and improve awareness of compliance and internal control systems while collecting opinions from workplaces. In FY2023, we conducted individual training online for locations around Japan, and there were a total 6,575 participants in the Group. At this training, in addition to making reports concerning the status of compliance activities

to employees of each company in the Meiden Group, such as compliance managers, we conducted education concerning the Antimonopoly Act, the Subcontract Act, harassment, and environmental laws.

We also conducted individual presentations on compliance as part of training for each level of new staff, leaders, and managers of each Group company.

[Human rights education for officers and employees >](#)

Policy, System, and Initiatives

Anti-corruption Measures

Meidensha stipulated “absolute prohibitions” through a resolution of the Board of Directors' Meeting on December 26, 2012. These “absolute prohibitions” prohibit profit-sharing with national public servants, correspondence with competitors, etc., such as bid-rigging or cartel behavior, collection of confidential information such as target prices and job prices from customers, etc. “Absolute prohibitions” are thoroughly enforced within the Group.

In 2016, we developed the Meiden Group Bribery Prevention Policy in order to prevent corruption, which includes bribery. The principles were revised in 2020. They have been disseminated throughout the Group once more in two volumes – the Meiden Group Bribery Prevention Policy and the Guidelines for the Meiden Group Bribery Prevention Policy.

Group Corporate Code of Conduct toward Globalization

The Meiden Group revised the Meiden Group Corporate Code of Conduct in 2022 and is increasing awareness of employees with regard to compliance with laws and other social norms and contributing to the realization of a sustainable society. The revised Corporate Code of Conduct includes a commitment by the Meiden Group to contribute to the realization of a sustainable society. We also promise to conduct business honestly and fairly to prevent bribery and other forms of corruption; respect human rights; create workplaces where employees can play an active role; protect the environment; cooperate with society; manage information; practice timely disclosure; and manage risk. It also defines the responsibilities that top management has with respect to the Corporate Code of Conduct. The Board of Directors approved the revised Corporate Code of Conduct. We are educating Meiden Group employees around the world by compiling this code of conduct in addition to the corporate philosophy system and guidance into a booklet and a guidance video that contains a message from management in three languages (Japanese, English and Chinese), and distributing these to Group companies.

Furthermore, we are broadly expanding our compliance education activities such as by releasing the Meiden Group Bribery Prevention Policy and the Guidelines for the Meiden Group Bribery Prevention Policy in the same three languages.

These regulations and policies are available on the Group-common web portal.

[Meiden Group Corporate Code of Conduct Japanese >](#)

[Meiden Group Corporate Code of Conduct English >](#)

[Meiden Group Corporate Code of Conduct Chinese >](#)

[Meiden Group Anti-Bribery Policy \(PDF : 440KB\) !\[\]\(3dfb8d66e81160ad61421a3452093d1b_img.jpg\) >](#)

Officer Training

Meidensha conducts training for persons of executive officer level and above, with a focus on compliance with the Antimonopoly Act. In FY2023, we provided training led by outside instructors on the essentials of Group compliance and points to keep in mind when making management decisions.

Political Contributions

The Meiden Group Corporate Code of Conduct states that “We comply with the relevant laws and regulations of countries and regions where we conduct business activities, particularly in relation to politics and government, and do not act in any way that could be suspected of collusion or corruption, such as providing favors.”

If we do make political contributions, we comply with the Political Funds Control Act and follow appropriate internal procedures, giving due consideration to the necessity and appropriateness of such contributions.

Policy and Initiatives

Tax

Tax Policy

The Meiden Group is aware that ensuring transparency of tax matters and payment of tax is its corporate social responsibility, and understands and complies with the principles of the taxation law of each country and region in which it conducts its global business activities. We contribute to the prosperity of each country and region by paying tax appropriately according to the application of a preferential tax system that avoids double taxation through normal procedures and complies with the aims of each system.

Furthermore, our policy is to refuse to engage in international tax avoidance, such as by complying with the OECD* Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations and refusing to use tax havens according to business circumstances.

Going forward, we will work to build friendly and healthful relationships with tax agencies through timely and appropriate provision of information and responding sincerely in the event of advance rulings and tax audits.

* OECD : Organization for Economic Co-operation and Development

Compliance Data

FY2023 Breaches of the Law, etc., in Japan and Overseas (Whole Meiden Group)

- Criminal cases or administrative penalties resulting from violation of competition laws in Japan and abroad: NA
- Criminal cases or administrative penalties resulting from bribery or other corrupt practices: NA
- Criminal cases or administrative penalties resulting from other major legal or regulatory violations: NA

Consultations and Reports Through the Compliance Hotline

Number of Consultations and Reports Received Through the Compliance Hotline (Only Meidensha^{*})

	Unit	FY2021	FY2022	FY2023
Number of consultations and reports (Of which, those that concerned harassment)	Cases	52 (28)	59 (31)	79 (27)

* Includes incidents at subsidiaries referred through the Meidensha Hotline.

Compliance-Related Training

Times Compliance Training Conducted and Number of Participants (Entire Meiden Group)

		Unit	FY2021	FY2022	FY2023
Compliance Training		Times	11	4 + video viewing	4 + video viewing
		Participants	1,711	4,336	6,575
Education by level (compliance presentations)	New staff education	Participants	213	262 [*]	195
	Leader training	Participants	110	123	110
	New manager training level 1	Participants	90	94	99

* Includes subsidiaries and employees hired in mid-career

Dialogues with Shareholders and Investors

Basic Approach and the IR & SR System

When any shareholder wishes to discuss with Meidensha's ideas that will contribute to the medium- to long-term improvement of our corporate value, our policy is that our management will engage in such dialogue to the extent possible.

We have established a system whereby each special department for IR and SR under the IR & SR Director works to strengthen external communication while simultaneously enhancing communication and creating opportunities for discussions with shareholders, including institutional investors. These activities are also regularly reported to and discussed by the Board of Directors.

Initiatives

Results Briefings

We hold Q&A sessions on financial results twice a year in May and October (or November). In FY 2023, the video of the President explaining the financial results was distributed to analysts and institutional investors who registered for the Q&A session immediately after the disclosure of the financial results, and the Q&A session was held on the following business day via a web conference.

In FY 2023, 70 analysts, institutional investors, and others participated in both the interim and full-year financial results announcements

Financial Results >

Individual Business Briefings (Small Meetings)

Since FY 2018, we have held small meetings once a year. We set a different business theme each year and create an opportunity to better understand our business by giving presentations and holding Q&A session with the relevant managing officers.

10 analysts attended the small meeting at the Numazu Works (Numazu City, Shizuoka) held in March 2024. After a report on the overall state of business by President & Executive Officer Inoue, questions

were taken from those in attendance. This meeting also provided an opportunity to tour the Numazu Works.

Initiatives for Individual Investors

In FY2023, Meidensha exhibited at the IR EXPO hosted by the Nagoya Stock Exchange. During this two-day event, about 460 individual investors visited our booth and learned about our business, growth strategy, shareholder return policy, and more.

Main IR & SR Activities in Fiscal 2023

Individual Sessions	Number	Breakdown of Investor Type
Domestic Institutional Investors	102	Analyst: 43 Fund Manager: 59
Overseas Institutional Investors	25	Analyst: 7 Fund Manager: 18
Analyst	42	
Total	169	

Opinions of Analysts and Institutional Investors

We publish a quarterly IR report that includes the opinions and requests given at financial results briefings and individual meetings and this report is given to internal and external directors, executive officers, heads of business units, the Staff Business Unit, managers, and others. The main themes that came up in discussions with analysts and institutional investors in FY2023 are as follows.

- Initiatives to improve capital efficiency
- The impact on performance of delays in construction progress and the high cost of materials for domestic infrastructure projects, and our countermeasures and timing for resolving these issues
- Factors contributing to improved profitability in the strong power T & D business overseas, as well as country-specific background and sustainability of the same
- Operational status and future outlook for each works in the EV business Etc.

Results of Conversations with Stakeholders

This section will introduce some case that we reflected the opinions and realizations we received through conversations with analysts, institutional investors, and shareholders to our activities.

- 1) Introduce ESG indicator relating to employee engagement to directors' compensation
Institutional investors suggested that we should introduce a directors' compensation system and an indicator that would further align directors' interests with those of stakeholders. In response, we introduced a system that provides medium- to long-term incentive by linking compensation to an ESG indicator relating

to employee engagement, effective from FY 2024. This is on top of conventional stock acquisition compensation and compensation linked to relative TSR (total shareholder returns), which we added in FY 2023.

2) Disclose subsegment results

Institutional investors, analysts, and others asked us to disclose order and sales results by subsegment (businesses within the segments that we externally disclose). Therefore, starting in May 2024, we have been posting quarterly subsegment order and sales results in files showing performance trends, which can be downloaded from our website. This facilitates analysis by analysts and institutional investors and has improved the quality of our dialogue during IR interviews.

Going forward, we will continue to proactively communicate with our shareholders and investors by enhancing opportunities for dialogue through financial results briefings and individual IR/SR, as well by expanding information disclosure on our website and in reports and other publications.