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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 state that the Board of Directors makes appointments 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.

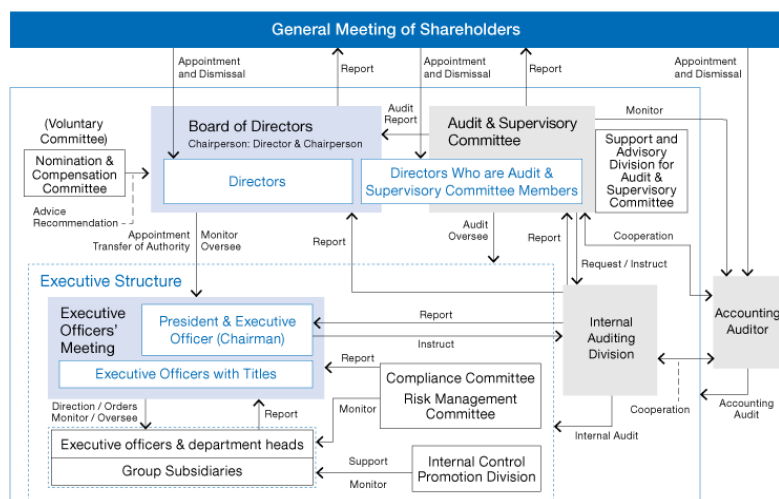
Organization and Initiatives

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).
- (c) We aim to further promote separation of supervisory and executive functions by making changes to increase legitimacy in June 2022, and combining it with the transfer of authority mentioned in (b) through the introduction of an executive officer system in June 2003, and a system for election of executive officers who are responsible for a flexible and agile business execution system by the Board of Directors, based on the Articles of Incorporation.

Corporate Governance Structure



Outline of Corporate Governance Structure

Form of Organization	Company with an Audit & Supervisory Committee
Directors	Number of directors (outside directors): 7 (3)
Directors (Audit & Supervisory Committee Members)	Number of directors (outside directors): 4 (3)
Number of Independent Officers	6 (3 outside directors and 3 outside directors (Audit & Supervisory Committee members))

(1) The Company's Board of Directors

In principle, the Board of Directors convenes on a regular monthly basis and holds ad-hoc meetings as necessary, to discuss major executive matters, business issues, and management issues related to the our business execution. In FY2022, the Board of Directors held 13 meetings, and the attendance rate was 100% for all directors.

The specific composition of the Board of Directors and meeting attendance in FY2022 are described below in "Composition of the Board of Directors, Nomination & Compensation Committee, and Audit & Supervisory Committee and Attendance in FY2022" below.

① Composition of Board of Directors

Our Board of Directors consists of 11 directors, including 4 who are Audit & Supervisory Committee members. The 11 directors also include 6 outside directors (of which 3 are members of the Audit & Supervisory Committee). The 6 all satisfy the requirements for independent directors as defined by the Tokyo Stock Exchange and our Criteria for Determining the Independence of Outside Directors. This means that independent outside directors make up a majority of the Board of Directors, ensures the effectiveness of the supervisory function of the Board of Directors, and ensures that objective and independent opinions are fully incorporated into the company's management.

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 FY2022
(period: April 1, 2022–March 31, 2023)

Name	Position (as of March 31, 2023)	Board of Directors	Nomination & Compensation Committee	Audit & Supervisory Committee
Yuji Hamasaki	Director & Chairman & Senior Officer Chairperson of the Board of Directors, Member of Nomination & Compensation Committee	13/13	12/12	–
Takeshi Miida	Representative Director & President & Executive Officer Member of Nomination & Compensation Committee	13/13	12/12	–
Norio Takekawa	Representative Director & Executive Vice President & Executive Officer	13/13	–	–
Masayuki Iwao	Director & Senior Managing Executive Officer	13/13	–	–
Hiroyuki Takenaka	Outside Director Chairman of the Nomination & Compensation Committee	13/13	12/12	–
Yoshiaki Shin	Outside Director Member of Nomination & Compensation Committee	13/13	12/12	–
Hiroji Adachi	Outside Director	10/10	–	–
Michihiko Kato	Director (Standing Audit & Supervisory Committee Member) Chairman of the Audit & Supervisory Committee	13/13	–	16/16
Keiko Hayashi	Outside Director (Audit & Supervisory Committee Member) Member of Nomination & Compensation Committee	13/13	10/10	16/16
Takashi Kuroda	Outside Director (Audit & Supervisory Committee Member)	10/10	–	13/13
Hideki Hiraki	Outside Director (Audit & Supervisory Committee Member)	10/10	–	13/13

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.

Major topics discussed by the Board of Directors in FY2022 included the following.

■Strengthening the supervisory function of the Board of Directors

The Board of Directors discussed this issue with the aim of further strengthening its supervisory function, as found in the FY2021 board effectiveness evaluation. In addition, an outside attorney gave a training on the role of the Board of Directors and outside directors and the exercise of their functions. Directors also met several times outside of formal Board of Directors' Meetings to trade opinions.

The following measures have been taken as a result of the Board's discussions and deliberations.

- Improved advance explanation of agenda items of the Board of Directors
The Executive Vice President & Executive Officer attends the explanatory meeting for outside directors to share information on overall business execution as it relates to agenda items of the Board of Directors and executive officers in charge provide explanations to resolve questions on individual operations related to agenda items in advance, we make an improvement that helps stimulate and enhance discussions and debates at Board of Directors' Meetings.
- Participation in discussions at the conceptual and planning stages
The FY2023 profit plan was discussed at a Board of Directors' Meeting at the stage where policy was forming. Directors discussed setting optimal profit targets and investment plans to enhance corporate value. The profit plan is decided at a meeting of the Board of Directors after it is reviewed by the business execution organization based on discussions.
- Improved agenda setting
It was suggested that to strengthen the supervisory function of the Board of Directors, it is important to strengthen Board of Directors agenda setting based on each director's understanding of management issues. Previously, the annual schedule of Board of Directors meetings was prepared based on the opinions of the directors and confirmed at each Board of Directors' Meeting. Starting in FY2023, the agenda of board meetings will be discussed and deliberated on a regular basis as a new agenda item itself. The aim is to strengthen agenda setting and further reinforce the supervisory function of the Board of Directors.

■Progress of Medium-term Management Plan 2024 in each business and strategies to achieve its objectives

The Board of Directors discussed several topics intended to monitor the progress of Medium-term Management Plan 2024 and supervise strategies to achieve its objectives. The Board of Directors discussed the situation and strategies in each business, especially measures to cope with rising component prices, collaboration between businesses (especially between the product sales and maintenance service businesses), and growth strategies beyond Medium-term Management Plan 2024.

■Promoting sustainability management

The Board of Directors' Meeting discusses the progress of the meeting of the Sustainability Management Strategy Committee (chaired by the President & Executive Officer) as part of supervision of sustainability management, which is a basic policy of Medium-term Management Plan 2024. It also discusses the status of human capital initiatives.

③ Participation of Outside Directors in Board of Directors' Meetings

■ Participation in the agenda

Our outside directors have diverse management experience and areas of specialization, understand the content of the proposals put before the Board of Director's Meeting from a variety of perspectives when said matters are explained in advance, and attend Board of Directors' Meetings having checked any unclear points in advance.

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 FY2022, all members of the Board of Directors, including outside directors, conducted self-evaluations of the effectiveness of the Board of Directors, and the following discussions took place at the meeting 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 FY2021	Status of efforts in FY2022
(1) Ensure greater diversity and skills balance among directors	Starting with the Notice of Convocation of the 159th Ordinary General Meeting of Shareholders, disclosing "Skills Required to the Board of Directors and the Reasons"
(2) Explore monitoring-type Board operations, including the use of Board of Directors meeting agenda items	Participating in discussions at the conceptual and planning stages
(3) Further strengthen information sharing with outside directors	Improving advance explanation of agenda items of the Board of Directors and improving agenda setting

② FY2022 analysis and evaluation

1	Formulation of questionnaire	The Chairman and Secretariat of the Board of Directors formulate a questionnaire (11 questions, all descriptive) 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 of the response to them and evaluation, and new issues found by the Board of Directors in FY2022.
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2	Conducting of questionnaire survey	All 11 directors are asked to fill out the above questionnaire in April 2023.
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3	Discussions at Board of Directors meeting	At the May 2023 Board of Directors meeting, all directors discuss the results of the evaluation of the effectiveness of the Board of Directors (Matters for Discussion by the Board of Directors), based on the results of the responses to the questionnaire received from each director. The FY2023 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 and its deliberation time and operating methods are appropriate. • The quality of the content of deliberations (agenda setting and discussion by directors) has been enhanced. • 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, content of deliberations, deliberation time, and operating methods)
- ② Ensuring the effectiveness of the Board of Directors (is the monitoring-type Board of Directors functioning?)
- ③ Self-evaluation (securing time required for duties, demonstration of expertise, inside: awareness of management and supervisory perspectives, outside: supervision from an independent standpoint)
- ④ Reorganization of Board of Director's mMeeting agenda items and supervisory function (how execution and supervision should be further separated)
- ⑤ Other (free description)

Issues and Future Initiatives

Major issues in FY2022	Initiatives in FY2023
(1) Improve board meeting agenda setting to further the Board of Directors' supervisory function	Enhance information sharing with outside directors, link agenda setting with the Executive Officers' Meeting, and hold discussions within the Board of Directors with an awareness of the active involvement of outside directors.
(2) Organize delegation of decisions of important business execution	To organize what is being delegated, we will first organize the monitoring function of the Board of Directors and seek a common understanding of the supervisory function of directors that should exist in a company with an Audit & Supervisory Committee.
(3) Establish a system on the execution side	The content of deliberations and operating methods of the Executive Officers' Meeting will be organized and linked to efforts to improve Board of Directors operations to enhance effectiveness.

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 FY2022 are described in “Composition of the Board of Directors, Nomination & Compensation Committee, and Audit & Supervisory Committee and Attendance in FY2022” above.

■ Activities of the Nomination & Compensation Committee in FY2022

Month & year	Activity
April 2022	<ul style="list-style-type: none"> • Consideration of directors' composition in organization of the Nomination & Compensation Committee, etc. (Including revisions to Articles of Incorporation and related rules) • FY2021 officer compensation report
May 2022	<ul style="list-style-type: none"> • Report on estimated director's compensation in FY2022 • Consideration of interviews between candidates for the next management personnel (executive side) and Nomination & Compensation Committee members
June 2022	<ul style="list-style-type: none"> • Confirmation of agenda and dates of Nomination & Compensation Committee meetings for FY2022 • Consideration of interviews between candidates for the next management personnel (executive side) and Nomination & Compensation Committee members
July 2022	<ul style="list-style-type: none"> • Consideration of reviewing director's compensation system, such as performance-linked (incentive) ratios • Consideration of composition of Board of Directors and requirements for outside directors, etc.
August 2022	<ul style="list-style-type: none"> • Consideration of composition of Board of Directors
September 2022	<ul style="list-style-type: none"> • Consideration of reviewing director compensation framework for FY2023 and beyond • Consideration of reviewing director's compensation system, such as performance-linked (incentive) ratios
October 2022	<ul style="list-style-type: none"> • Consideration of director appointments for FY2023
November 2022	<ul style="list-style-type: none"> • Consideration of director appointments for FY2023 • Consideration of executive-side nominations taking account of FY2023 organizational system
December 2022	<ul style="list-style-type: none"> • Consideration of director appointments for FY2023 • Consideration of executive-side nominations taking account of FY2023 organizational system • Consideration of reviewing director's compensation system, such as performance-linked (incentive) ratios
January 2023	<ul style="list-style-type: none"> • Consideration of executive-side nominations taking account of FY2023 organizational system
February 2023	<ul style="list-style-type: none"> • Consideration of reviewing the Board of Directors' skills matrix
March 2023	<ul style="list-style-type: none"> • Consideration of reviewing director compensation framework for FY2023 and beyond • Consideration of reviewing director's compensation system, such as performance-linked (incentive) ratios • Consideration of reviewing Board of Directors' skills matrix

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

The number of directors is set at no more than 15 to allow sufficient discussion of management issues.

(10 Directors who are not Audit & Supervisory Committee members and five who are)

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) ④ 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

The scheduled composition of the Board of Directors on and after June 28, 2023

Position	Name	Fields in which Directors can particularly exert their expertise								
		Business management	DX/ Business transformation	Sales/Marketing	Research and Development "Monozukuri"	Global	Finance/ Accounting	Legal affairs/ Internal control	HR development	Environments
Director	Takeshi Mita <small>Reappointment</small>	•	•	•				•	•	
	Akio Inoue <small>New appointment</small>	•	•				•			•
	Norio Takakura <small>Reappointment</small>	•	•		•					•
	Masayuki Inao <small>Reappointment</small>	•				•	•	•	•	
	Hirovuki Takenaka <small>Reappointment</small>	•	•	•				•	•	
	Hiroji Adachi <small>Reappointment</small>	•	•		•	•				
	Mamabu Kinoshita <small>New appointment</small>	•	•	•					•	
	Michihiko Kato <small>Full time</small>			•	•			•		
Director (Audit and Supervisory Committee Member)	Keiko Hayashi <small>Outside Independent</small>						•	•	•	
	Takashi Kuroda <small>Outside Independent</small>	•		•				•		
	Hideki Hiraki <small>Outside Independent</small>	•		•				•		•

[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.

Skills	Reasons why such skill is required
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 Meidensha 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 advisory and internal bodies such as review and strategy meetings, 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.

In executing business, resolutions and decisions are made by executive officers who have authority over business execution and strive to execute operations proactively and flexibly.

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

(7) Auditing System

Meidensha transitioned from the prior institutional structure of a company having an Audit & Supervisory Board to a company having an Audit & Supervisory Committee at the General Meeting of Shareholders held on June 26, 2020.

Our Audit & Supervisory Committee consists of four directors who are Audit & Supervisory Committee members (three outside directors and one standing inside director).

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 in a month. Each Audit & Supervisory Committee lasts about two hours.

In addition, we established the Support and Advisory Division for Audit & Supervisory Committee exclusively to aid the Audit & Supervisory Committee. It has four members with legal, financial, accounting, sales, factory, quality control, R&D, overseas business, and internal auditing experience.

(8) Internal Auditing System

i Organization

Meidensha has established the Internal Auditing Division (16members as of March 31, 2023).

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 of Meidensha Group companies including in abroad.

With regard to internal control, the Internal Control Promotion Division is the specialized division that establishes risk management systems that integrate the entire Meidensha Group, promotes enhancement of internal control systems, and ensures complete internal control functions through joint monitoring of internal control systems by the Audit & Supervisory Committee and the Internal Auditing Division.

ii Method of audits

In FY2022, the internal audits were mainly conducted by two methods.

We conducted risk-based audits in 10 divisions based on the major Company-wide risks identified by the Risk Management Committee. We covered those risks comprehensively while prioritizing high-risk areas. In FY2023, we will reevaluate the major Company-wide risks from the perspective of the Internal Auditing Division and will audit units selected in consideration of risk factors of particular importance to 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 FY2022, we audited 4 domestic subsidiaries and 12 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 FY2022, reports were presented monthly to the President & Executive Officer, semiannually to the Board of Directors and the Executive Officers' Meeting, and 10 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 Meidensha 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 Meidensha Group company, establishing a regulatory framework, and implementing the PDCA cycle.

1. Major Initiatives in FY2022

- (1) The Group Company Internal Control Committee met twice in the year to share information on important top risks for the Group as discussed by the Risk Management Committee and the progress of risk management at each company. It also introduced CSA (control self-assessment) to overseas subsidiaries and provided internal control training and CSA training for local staff at 13 companies, mainly at presiding companies.
- (2) In order to strengthen the internal controls of the entire Group, the Internal Auditing Division conducted standardized audits of four domestic subsidiaries and two overseas subsidiaries to check the status of their preparation and operation of internal controls.

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

Our purpose to hold cross-shareholdings is to maintain and expand transactions for the medium- to long-term and secure and strengthen medium- to long-term cooperative relationships with partners and allies, taking account of market conditions and other factors. Based on the purpose, our basic policy is to hold cross-shareholdings that help enhance corporate value and to consider selling cross-shareholdings that no longer seem significant or rational.

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.

we sold 10 listed and unlisted stocks for ¥1,03 billion out of its 102 listed and unlisted stocks (balance sheet amount: ¥16.406 billion) as of March 31, 2022, reducing the number of stocks to 96 (balance sheet amount: ¥16,418 billion) as of March 31, 2023. This represents 14.8% of consolidated net assets as of March 31, 2023.

Directors' Compensation

Directors compensation policy

i Level and System of Compensation

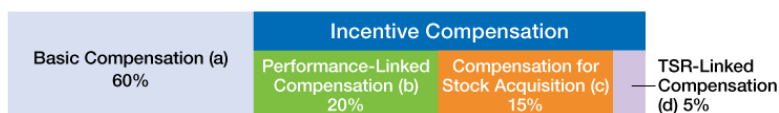
The level of compensation of Meidensha's directors is determined based on external objective compensation market data, economic conditions, industry trends, and Meidensha's business circumstances, etc. Giving consideration to this level, the content of the director's compensation system is determined 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) and TSR (total shareholder return)-linked compensation (d) as medium- to long-term incentives.

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 FY2021 was ¥9.468 billion, compared to a target of ¥10 billion, which represents an achievement rate of 94.6%.

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 and TSR-linked compensation as medium- to long-term incentives to sustainably increase corporate value and ensure that directors (excluding Audit & Supervisory Committee members and outside directors) have some shared value with 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 varies generally between 80 and 120 depending on 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 (relative TSR*).

Calculation Formula

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

* Relative TSR: Meidensha's TSR at the end of the latest fiscal year divided by the TSR of the TOPIX benchmark including dividends corresponding to the Company's TSR calculation period

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 director (excluding members of the Audit & Supervisory Committee) are delegated to the President & Executive Officer ("President"), who is a director, based on a resolution of the Board of Directors. 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. In FY2022, the Board of Directors resolved at its June 23, 2022, meeting to delegate President Takeshi Miida to determine the specific details of the amount of compensation for directors. The reason for delegating this authority is that the President, as the chief officer of the Company, is best suited to evaluate each director while looking at Meidensha's overall performance.

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.

FY2022 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)	246	175	70	6
Outside directors (excluding Audit & Supervisory Committee members)	26	26	-	4
Directors who are Audit and Supervisory Committee members (excluding Outside Directors)	34	34	-	2
Outside directors who are Audit & Supervisory Committee members	26	26	-	5
Total	333	262	70	17

Notes

1. Amounts are rounded down to the nearest ¥1 million.
2. The above includes three directors (excluding Audit & Supervisory Committee members) and two directors who are Audit & Supervisory Committee members who retired at the conclusion of the 158th Ordinary General Meeting of Shareholders held on June 23, 2022.
3. The amount of compensation for directors (excluding Audit & Supervisory Committee members) does not include employee salaries for directors who also serve as employees.

Board of Directors & Executive Officers as of July, 2023

[Board of Directors & Executive Officers as of July, 2023 >](#)

Risk Management

Policy

Basic Approach

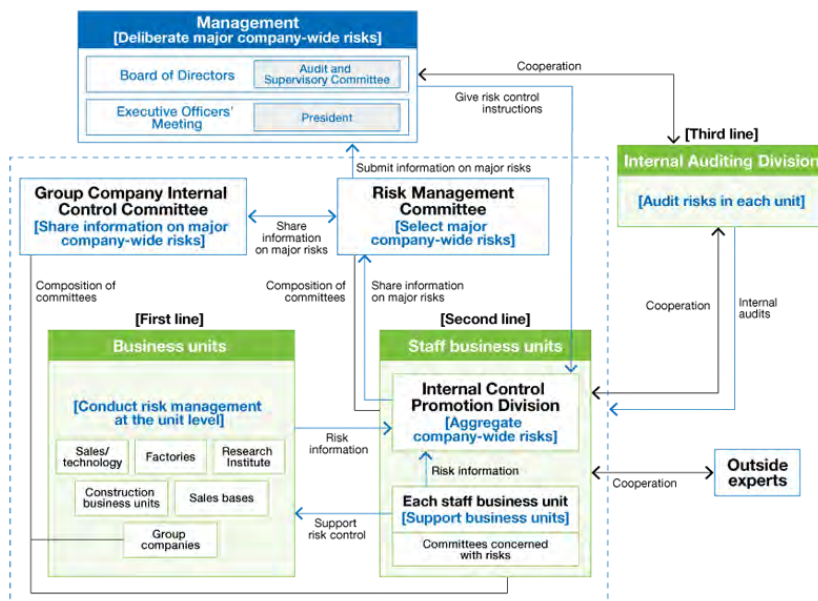
Businesses face conditions that change day to day: climate change, natural disasters growing in frequency and intensity, geopolitical risks coming to the surface, increasing digitalization, and diversifying values. Under these circumstances, we must identify the wide range of potential future risks in a timely manner 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]

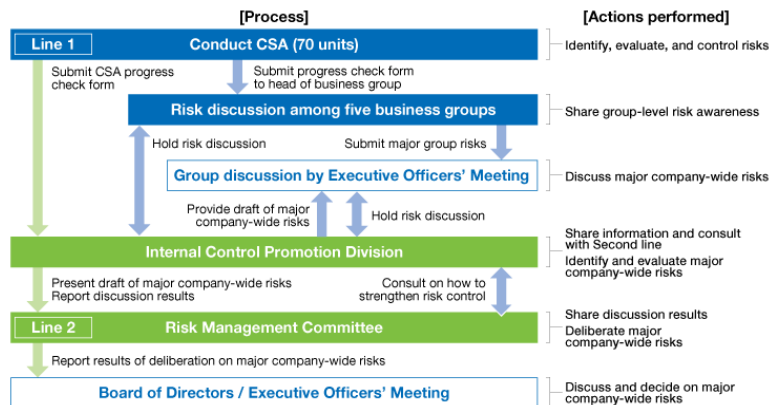
First line	In our business units (the first line), including plants and domestic and overseas subsidiaries, we have introduced Control Self-Assessment (CSA). With this tool, each unit identifies, assesses, and controls its own risks. To identify risks, units refer to a 120-item risk list to ensure their 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, and key Company management as needed.
Internal Control Promotion Division	This unit is responsible for the framework in which management is involved in deliberations and decision-making on major company-wide risks. The division consolidates the risk information from the first line's CSAs and risk information overseen by the second line and submits it to executive management after it is discussed by the Risk Management Committee.
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.

The Risk Management Committee and the Group Company Internal Control Committee are chaired by the Meidensha Director & Senior Managing Executive Officer, who is in charge of all administrative divisions.

Operations of the Risk Management Committee

The Risk Management Committee is chaired by the Director & Senior Managing Executive Officer and 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.

The Risk Management Committee is clearly independent from the Audit and Supervisory Committee.



Major Risks from Business Activities

The Meiden Group stipulates major business risks to the entire Meiden Group, including in relation to ESG, through regular discussion among managers according to systems such as those listed above. As a result of the above discussion among managers, risks that could have a serious impact on the decisions of investors are as follows.

Major Risks Facing the Group

Ranking	Risk	Risk assessment					Comparison with previous year's assessment
		Impact	Likelihood	Speed of materialization	Effectiveness of response	Likelihood of harm to brand	
1	Environmental regulations/climate change	Large	High	Normal	Effective	High	➡
2	Inadequate procurement management	Large	High	Somewhat fast	Normal	Somewhat high	➡
3	Insufficient internal information management	Large	Medium	Extremely fast	Effective	High	➡
4	Geopolitical risks	Large	Medium	Extremely fast	Normal	Somewhat high	➡
5	Inadequate labor management	Large	Medium	Normal	Normal	High	➡
6	Occurrence of industrial accident	Large	Medium	Extremely fast	Somewhat effective	Somewhat high	➡
7	Reduced quality	Large	High	Fast	Somewhat effective	Normal	➡
8	Inadequate cyber measures	Large	Medium	Extremely fast	Effective	Somewhat high	➡
9	Human rights violations	Large	Medium	Normal	Normal	Somewhat high	➡
10	Insufficient personnel	Large	High	Somewhat slow	Somewhat effective	Normal	➡
11	Occurrence of a natural disaster	Large	Medium	Extremely fast	Effective	Normal	➡
12	Disguising quality or iniquitous inspection	Large	Low	Fast	Somewhat effective	High	➡
13	Breach of Construction Business Act	Large	Low	Fast	Somewhat effective	High	➡
14	Insufficient awareness or responsiveness to changes in market conditions	Large	High	Normal	Effective	Normal	➡
15	Breach of Antimonopoly Act or bribery	Large	Low	Extremely fast	Effective	High	➡
16	Losses due to fluctuations in exchange rates, interest rates, stock prices, and land prices	Medium	High	Somewhat fast	Somewhat effective	Normal	➡
17	Incomplete control of overseas subsidiaries	Large	Low	Extremely fast	Somewhat effective	Somewhat high	➡
18	Insufficient or poor internal communication	Medium	High	Somewhat slow	Somewhat effective	Normal	➡
19	Incomplete control of Japanese subsidiaries	Large	Low	Normal	Somewhat effective	Somewhat high	➡
20	Reduced ability to cater to customers	Large	Low	Extremely fast	Normal	Normal	➡

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

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&A, partnerships, joint developments, new businesses, or other matters that require a resolution by the Executive officer's meeting according to regulations.

In FY2022, we conducted preliminary risk assessments on nine 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 General and Legal Affairs Division, 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.

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.

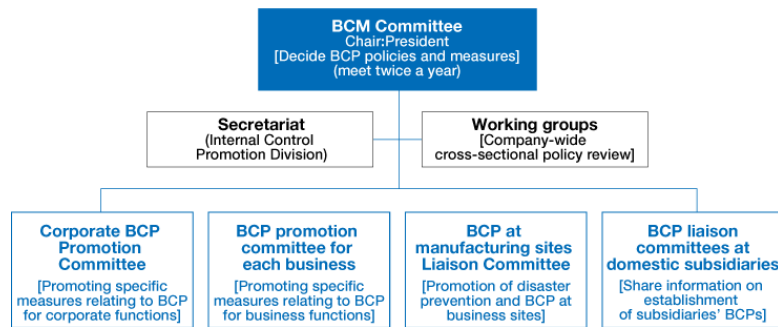
Medium-term Management Plan 2024 Initiatives

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 Consider Priority Businesses, and the Working Group to Handle and Protect Employees, and promotes BCP throughout the Group.

Initiatives

Third Natural Disaster Response Headquarters Drill

In September 2022, we conducted a company-wide natural disaster response headquarters drill to verify the effectiveness of BCPs that had been created. In the hypothetical scenario used for the drill this time, the Numazu Plant was hit by a Nankai Trough earthquake centered on the east side of Suruga Bay on a

Sunday night, with Numazu Works the first production site to be damaged. Since the disaster occurred on a non-working day and at night, the initial response was not to gather in one place, but rather to organize information on just a portal site that would be set up when the disaster happened. Subsequently, staff verified and confirmed events particular to a damaged production site, including trade-offs between customer response and plant restoration when several days had already passed since the disaster happened, based on damage information prepared in cooperation with Numazu Works.

We will revise BCPs in light of the various issues identified during the training.



Scenes from the drill (Headquarters)



Scenes from the drill (Numazu Works)

Disaster Response Drill at Numazu Works

In March 2023, we brought a mobile power supply vehicle to Numazu Works to prepare for power outages at the site. In conjunction with the introduction of the vehicle, we conducted a drill to verify the process of requesting the vehicle and dispatching it to the site in the event of a power outage, as well as the work to be performed at the site. For the drill, we did in fact cut power to a portion of the plant. Participants restored electricity by connecting to the mobile power supply vehicle. This allowed us to confirm how the work would actually be performed. On the day of the event, an outside company provided drone footage of the drill. We have also discussed the usefulness of drones in times of disaster.

The Meiden Group will improve on issues identified during the drill to help create better BCP measures.



A scene at the drill



Drone footage

Start of Works BCP Liaison Committee

To improve disaster prevention and BCP at each production site (works), we launched the Works BCP Liaison Committee in November 2022. In the event of a disaster, works must set up an area disaster response headquarters to deal with a wide range of issues such as responding to personnel in the area, gathering information from their factories and other units and subsidiaries, and managing stockpiles. However, each works had established its own methods of responding and there was no interaction with others. The new liaison committee organizes disaster prevention and BCP-related issues at each works and discusses solutions to each one. This has enhanced disaster prevention and BCP systems at each works.

This effort continues in FY2023 to strengthen the disaster response capabilities of each works.

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 FY2022, we gave training for new employees and mid-career hires. We have also visited regional offices in Japan to conduct extensive awareness-raising initiatives, including disaster prevention and BCP training for local employees and training for BCP staff of Group companies.

In addition, we created a training video to further spread the word about our disaster prevention and BCP efforts. The video will be released in FY2023 and we will work to ensure that all Group employees view it.



Employee BCP training video



New-employee training (online)

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.

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.

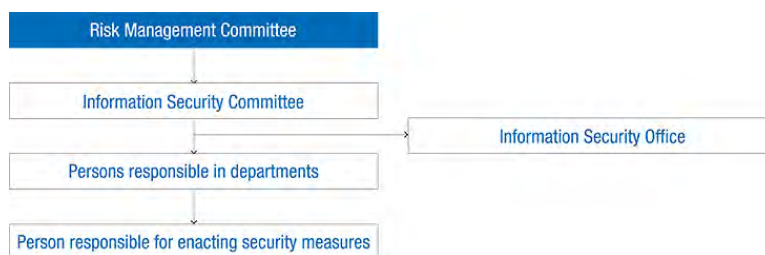
Everyone involved with business activities ensures thorough compliance with matters required by laws and regulations, obligations imposed by agreements, this policy, and internal management regulations relating to information security.

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



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 2022, we are continuing to implement initiatives to reinforce information security for the entire Meiden Group.

Analysis of Incidents and Countermeasures for Each Cause

The Meiden Group is working to implement sustainable security measures in the areas of “prediction,” “defense,” “detection,” and “response.”

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 email attacks, as well as measures mainly aim at combatting human factors such as theft, loss, or mishandling of information devices. We introduced the Security Operation Center (SOC) in fiscal 2017, established a detection system that operates 24 hours per day, 365 days per year, and in fiscal 2019, we installed next-generation antivirus software on all computers, in order to enhance detection.

We established the Meiden Computer Security Incident Response Team (CSIRT) and joined the Nippon CSIRT Association in order to enhance response. In addition, we have begun strengthening information security measures for customers of our products and services so they can better respond to cyberattacks, which have become increasingly sophisticated in recent years. We are also establishing 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 fiscal 2022, we conducted e-learning on 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 and share information on information security measures and risk case studies at production plan briefing 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

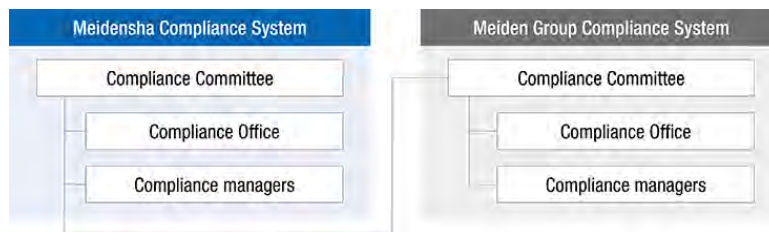
Meidensha has enhanced and constructed a compliance promotion framework that is an important pillar of risk management, by integrating the Legal Affairs Division and the Enterprise Risk Management Division into the Governance Headquarters in April 2022. The Legal Affairs Division is the office responsible 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 Legal Affairs Division. 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 conjunction with the 2022 enforcement of the revised Whistleblower Protection Act, we have made our whistleblower hotlines easier to understand and revised and improved relevant regulations and systems, such as strengthening protection of whistleblowers. We have also finished setting up whistleblower hotlines at all Group companies, including those overseas.

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 Legal Affairs Division 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 FY2022, the Meiden Group received 59 reports and consultations, of which we thoroughly confirmed which cases required a response and dealt with them accordingly. The Audit Department conducts internal audits of the operation of the system.

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. 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	FY2020	FY2021	FY2022
Anger management training	Times	3	8	26
	People	91	289	2,350
Unconscious bias seminar	Times	-	2	2
	People	-	200	321

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 FY2022, we conducted individual training online for locations around Japan, and there were a total 4,336 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.

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.

As our anti-corruption policy, in 2016, we developed the Meiden Group Bribery Prevention Policy. We reorganized it in 2020 into two parts – the Meiden Group Bribery Prevention Policy and the Guidelines for the Meiden Group Bribery Prevention Policy – which we are using to remind members of the Group about our stance.

Group Corporate Code of Conduct toward Globalization

The Meiden Group revised the Meiden Group Corporate Code of Conduct in 2022 in consideration of sustainability management, 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 in three languages (Japanese, English and Chinese).

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 Chinese >](#)

[Meiden Group Anti-Bribery Policy \(PDF : 440KB\) !\[\]\(d263118e0bfd47dc6bc704167d936b83_img.jpg\) >](#)

Officer Training

Meidensha conducts training for officers of the executive officer level and above, with a focus on compliance with the Antimonopoly Act. In FY2022, we conducted Antimonopoly Act compliance training administered by outside instructors, reviewed the basics, and considered case studies.

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

Results Data

Compliance Data

FY2022 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	FY2020	FY2021	FY2022
Number of consultations and reports	Cases	53	52	59

* Includes incidents at subsidiaries referred through the Meidensha Hotline.

Compliance-Related Training

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

		Unit	FY2020	FY2021	FY2022
Compliance Training		Times	11	11	4 + video viewing
		Participants	1,338	1,711	4,336
Education by level (compliance presentations)	New staff education	Participants	213	275	262*
	Leader training	Participants	110	110	123
	New manager training level 1	Participants	90	92	94
Training for overseas management candidates (compliance presentations)		Participants	10	10	—

* 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 financial results briefings twice a year in May and October (or November). In FY 2022, we distributed a video of the financial results briefing explained by President to analysts and institutional investors who had registered for the briefing on the day of the presentation. Q&A sessions were held the next business day, with the session for the May Annual Results Briefing conducted via teleconference and the session for the November Mid-Term Results Briefing held via Zoom in a webinar format.

Financial Results >

Sustainability Briefings (ESG Briefings)

We held our second ESG briefing in November 2022. We changed the name to "Sustainability Briefing" and gave presentations on "Progress in Sustainability Management," "Initiatives in Smart Maintenance and Substation Products That Make Up Green Extra-High Voltage Substations," and "Initiative to Become a Hydropower Service Provider."

40 analysts and institutional investors joined the briefing and it was the opportunity to deepen understanding of Meidensha's ESG vision and initiatives through Q&A sessions with President & Executive Officer Miida and Senior Managing Executive Officer Tamaki.

Event materials >

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.

9 analysts attended the February 2023 small meeting at the Nagoya Works (Kiyosu City, Aichi). After a report on the overall state of business by President & Executive Officer Miida, Senior Managing Executive Officer Mochizuki gave a presentation on “Our Efforts and Vision for the EV Business” before taking questions from those in attendance. This meeting also provided an opportunity to tour the EV Factory involved in the mass production of integrated motor inverters and the production line of the Ceramic Membrane Production Unit.

[Event materials >](#)

Initiatives for Individual Investors

Since FY2022, Meidensha has exhibited at the IR EXPO hosted by the Nagoya Stock Exchange. During this two-day event, about 200 individual investors visited our booth and learned about our business, growth strategy, shareholder return policy, and more.

Main IR & SR Activities in FY2022

Individual Sessions	Number	Breakdown of Investor Type
Domestic Investors	77	Analyst: 43 Fund Manager: 34
Overseas Investors	32	Analyst: 11 Fund Manager: 21
Total	109	

(Note: There were 41 meetings with securities analysts not listed above for a total of 150 meetings with investors.)

Opinions of Analysts and Institutional Investors

We publish a quarterly IR report that includes the opinions and requests given at results briefings and individual meetings and this report is given to 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 FY2022 are as follows.

- The impact on performance and countermeasures following the sharp rise in the cost of materials, energy, and logistics, and the emergence of geopolitical risks
- View of the future outlook and capital investment of the EV Business

- Measures for improved profitability of overseas businesses and a timeline for achievement

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 relative TSR (Total Shareholder Return) into director's compensation benchmarks
We were told that it would be good to introduce performance-based compensation with relative TSR as an index in addition to the conventional stock acquisition compensation in the medium- to long-term incentive compensation from fiscal 2023. This would make the director compensation system and benchmarks align more closely with stakeholder interests.
- 2) Disclose the reasons (including definitions) behind the skills matrix selection
We received feedback that we should establish items with more specific definitions of the skills required for the Board of Directors to function. Therefore, starting with the Notice of Convocation of the 159th Ordinary General Meeting of Shareholders to be held in June 2023, we disclosed the "Skills Required to the Board of Directors and the Reasons."

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.