

Corporate Governance

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.

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.

Message

Chairperson of the Board of Directors

We are working to strengthen corporate governance as a company with an audit and supervisory committee so that we can enhance the Group’s sustainable corporate value. Since I became its chair in June 2023, the Board of Directors has regularly discussed how to improve its effectiveness and has implemented the following main initiatives.

I believed that the Board of Directors needed to discuss management issues in greater depth and exercise a more supervisory function. Therefore, we revised the criteria for placing items on the agenda of Board meetings, wherein some of the important decisions regarding execution of duties are delegated to company executives. We also established the “On-site Meeting,” a body of which all Directors are members. This provides a forum in which participants can freely exchange opinions on important matters affecting management. The On-site Meeting is designed to be a useful reference for executive decision-making, as executives also take part in these discussions.

Twice a year, the Board of Directors trades views on what management issues should be discussed by the Board and by the On-site Meeting, and these are incorporated into the Board of Directors topics of discussion. The topics thus set, for the next month and the month after that, are confirmed again during the regular monthly meetings of the Board of Directors and revised if necessary. We have also strengthened the mechanism by which councils share information relating to the execution of important duties. We did so because we believed that a prerequisite for the Board of Directors’ supervisory function is to enhance the supervisory function of outside directors, who comprise a majority of the Board.

The Meiden Group achieved record orders, sales, and operating income in FY2023. Now, we are tackling Group management issues one by one to achieve the targets of the now-in-effect Medium-term Management Plan 2024 and to aim for further growth under the next Medium-term Management Plan and beyond. We believe that financial targets are important, but so are non-financial targets. We especially need to foster a corporate culture in which human resources, the source of our value creation, can grow and flourish.

It is these ideas that inspire me, as Chairperson of the Board, to enhance the effectiveness of the Board of Directors and On-site Meeting so we can realize our Ideal State of Being/Vision for 2030 and increase our corporate value.

I thank our stakeholders for their continued support.

Takeshi Miida
Representative Director
Chairperson & Senior Officer



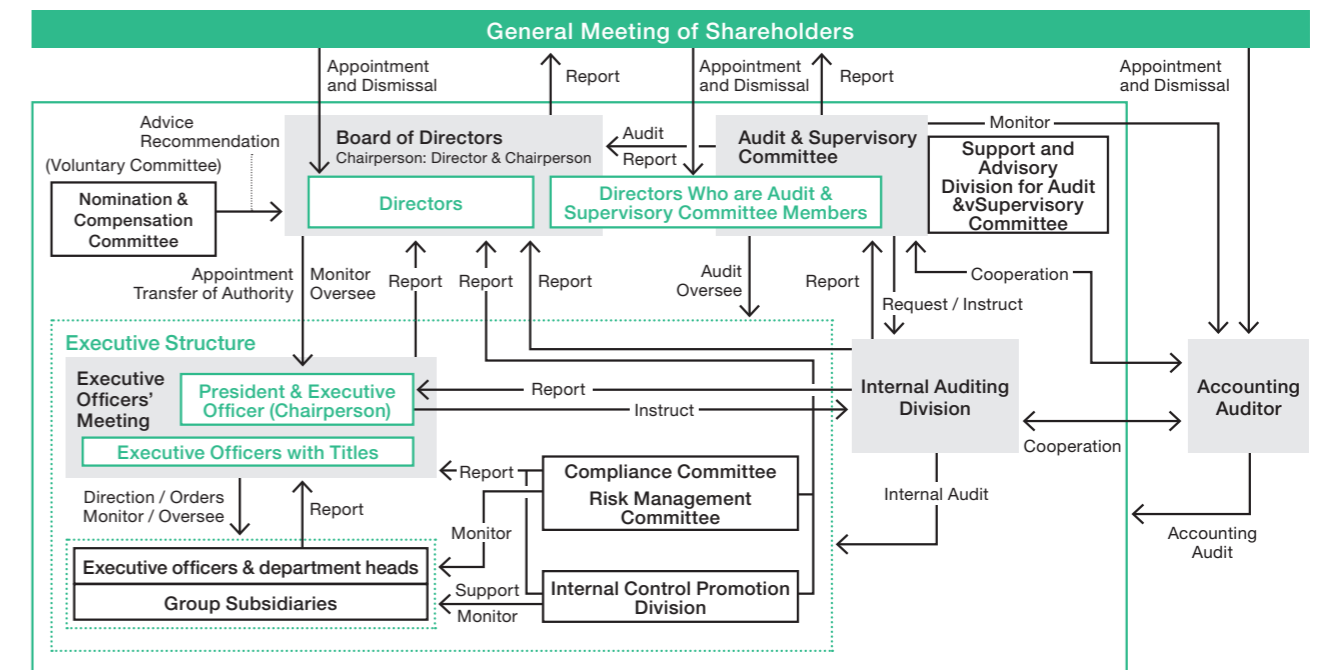
Outline of Corporate Governance Structure

Form of Organization	Company with an Audit & Supervisory Committee	Number of directors (Audit & Supervisory Committee members)	4 (including 3 outside directors)
Number of directors	8 (including 4 outside directors)	Number of Independent Officers	7 (4 outside directors and 3 outside directors (Audit & Supervisory Committee members))

Transition to a Stronger Corporate Governance System

Purpose/results	From FY2003	From FY2015	From FY2020
Enhancement of Decision-making and Supervisory Functions of the Board of Directors	<ul style="list-style-type: none"> 2003 • Introduction of executive officer system 2012 • Revision of the rules of internal approval 	<ul style="list-style-type: none"> 2015 • Revision of Board of Directors agenda standards 2018 • Separation of the roles of Chairperson of the Board of Directors and Chairperson of the Executive Officers’ Meeting 2019 • Elimination of quotas for number of directors 	<ul style="list-style-type: none"> 2020 • Revision of the Board of Director’s Meeting agenda, standards and rules of internal approval • Transition to a company with an Audit & Supervisory Committee • Proportion of outside directors at least 1/3 • Election of female outside director (1 person) 2022 • Review of the officer system (Clarification of execution and supervision) • Increase of outside directors’ ratio to majority 2024 • Revision of Board of Directors agenda Standards
Separation of Supervision and Execution of Management			
Enhancement of transparency and soundness of management	<ul style="list-style-type: none"> 2006 • Revision of the Basic Policy regarding Establishment of a System to Ensure the Appropriateness of Business Activities (the Basic Policy on Internal Control Systems) 2012 • Commencement of reporting to the Board of Director’s Meeting on internal control adjustment status 	<ul style="list-style-type: none"> 2015 • Revision of the Basic Policy on Internal Control Systems 2016 • Commencement of verification of effectiveness of the Board of Directors • Commencement of evaluation of cross-shareholdings 2017 • Establishment of the voluntary Compensation Committee 2018 • Establishment of the voluntary Nomination & Compensation Committee 2019 • Change of directors’ term of office to 1 year • Abolition of Senior Advisor system 	<ul style="list-style-type: none"> 2020 • Revision of basic internal control policy • Establishment of the Group for Promotion of Internal Control 2022 • Increase of outside directors ratio on the voluntary Nomination & Compensation Committee to majority • Establishment of the Corporate Governance Management Group • Revision of the Basic Policy on Internal Control Systems
Revitalizing and enhancing debate by the Board of Directors	<ul style="list-style-type: none"> 2013 • Enhancement of information sharing with outside directors 2014 • Commencement of meetings to exchange opinions with outside directors 	<ul style="list-style-type: none"> 2015 • Commencement of training for newly appointed outside directors 2018 • Commencement of advance explanation of Board of Directors agenda items to outside directors 	<ul style="list-style-type: none"> 2021 • Establishment of Board of Directors’ discussion 2023 • Meidensha created the On-site Meeting

Corporate Governance Structure



CORPORATE GOVERNANCE

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 FY2023, the Board of Directors held 13 meetings, and the attendance rate was 100% for all directors.

① Composition of Board of Directors

To ensure sufficient discussion of management issues, the number of directors is stipulated to be no more than 15 (10 directors (who are not Audit & Supervisory Committee members and 5 directors who are Audit & Supervisory Committee members).

Our Board of Directors consists of 12 directors, including 4 who are Audit & Supervisory Committee members. The 12 directors also include 7 outside directors (of which 3 are members of the Audit & 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.

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> <p>DX promotion 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> <p>Human capital efforts 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> <p>Next Medium-term Management Plan 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>
	<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>
Revising criteria for submitting matters for discussion to the Board of Directors and improving operations to strengthen supervisory functions	
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.

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

Major issues in FY2022	Status of efforts in FY2023
<p>1 Improve agenda-setting to further enhance the supervisory functions of the Board of Directors</p>	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.
<p>2 Organize matters for delegating important business execution decisions</p>	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.
<p>3 Establish executive-side system</p>	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.

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.	<p>Effectiveness evaluation items (questionnaire items)</p> <p>① Composition, deliberations, and operations of the Board of Directors (size, independence, diversity, skills, etc.)</p> <p>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.)</p> <p>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))</p> <p>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.)</p> <p>⑤ Methods of evaluating effectiveness next year and beyond</p> <p>⑥ Other (free description)</p>
2 Conducting of questionnaire survey	All 11 directors are asked to fill out the above questionnaire in April 2024.	
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.	
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>	

Issues and Future Initiatives

Major issues in FY2023	Initiatives in FY2024
<p>1 Improve the operations of the Board of Directors to further enhance its supervisory functions</p>	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.
<p>2 Consider skills matrix based on medium- and long-term management strategies</p>	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.

CORPORATE GOVERNANCE

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.

Message**Head of the Nomination & Compensation Committee**

Hiroyuki Takenaka
Director (Outside Director)



In June of last year, we got a new President, and in FY2025, we will start a new Medium-term Management Plan. In light of these transitions, the Nomination & Compensation Committee, working with the executive departments, is redefining the qualities, abilities, and diversity required of the top executive and management team. We are working to select a group of successor candidates to take over five to 10 years from now and improving the ways we develop these candidates and our standards for evaluating them. In addition, we are having outside directors who are not members of the Nomination & Compensation Committee interview candidates. Through approaches like these that refer to the opinions of “outsiders” on candidate selection and evaluation, we will further increase objectivity and transparency. As for Director remuneration, we increased the percentage of it that comes from incentive remuneration. In this way, we are placing greater emphasis on Director contributions to improving medium- to long-term business performance.

A new feature in FY2024 is compensation linked to the eNPS, our index of employee engagement. In this manner, we are using the compensation system to encourage stronger human capital management and sustainability management. By so doing, we will achieve sustainable growth for the Meiden Group and increase its corporate value over the medium to long term.

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.

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.

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.

Message**Head of Audit & Supervisory Committee**

Seiji Kato
Director & Audit & Supervisory Committee Member
(Standing Audit & Supervisory Committee Member)



Sustainably increasing our corporate value is the cornerstone for continuing to manage based on the Meiden Group Corporate Philosophy. Besides increasing sales and profits to ensure a stable return to shareholders, building up integrity and trust will also enhance corporate value.

To achieve this type of corporate management, we need to instill in each individual an awareness and systems of internal control that are convincing to them. Efforts to instill and improve this awareness and systems are based on the basic policy for the establishment of internal control systems as prescribed by the Board of Directors.

The Audit & Supervisory Committee checks and verifies that these efforts are performed effectively. Checks and verifications are conducted by auditing the execution of duties by executive officers and through internal audits by the Internal Auditing Division. In addition, other bodies such as the Corporate Governance Management Group support and monitor the establishment and improvement of systems.

We will share details and results of our checks and verifications with the Board of Directors and will ensure sound governance that meets our shareholders’ expectations.

CORPORATE GOVERNANCE

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.

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

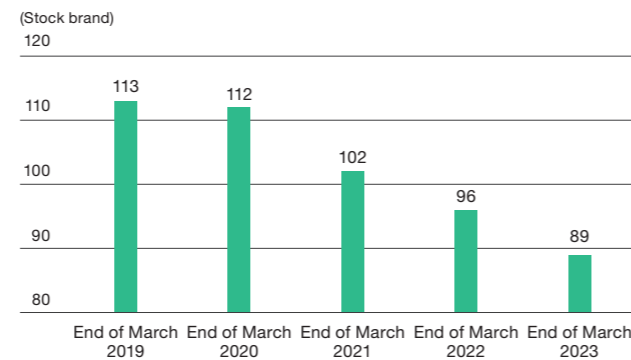
Our basic policy is to hold cross-shareholdings that contribute to enhancing our corporate value and consider selling those that no longer seem reasonable to own for the purpose to maintain and expand transactions and to secure and strengthen medium- to long-term cooperative relationships with partners 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 of March 31, 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 of the end of March 31, 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

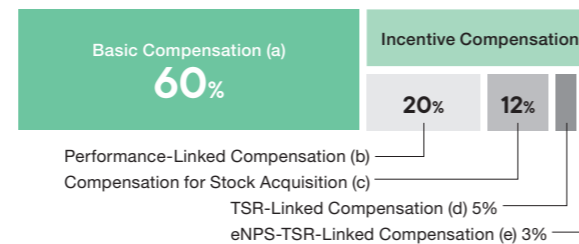
The level of compensation of Meidensha's directors is determined based on external objective compensation market data, economic conditions, industry trends, and Meidensha's business circumstances, etc. Giving consideration to this level, the content of the director's compensation system is determined 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.

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



*1 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.

(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

(a) 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

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

(b) 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

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

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*2, the amount to be paid is 100.

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.

Calculation formula

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

*2 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