

# 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.

## Message from the Chairperson of the Board of Directors

Representative Director, Chairperson & Senior Officer

**Takeshi Miida**



In the two years since I assumed the role of Chairperson of the Board of Directors, I have supported the company's continuous growth and increased its corporate value on the basis of the company's target state and management strategy while simultaneously working to fulfill the Board of Directors' responsibilities of improving profitability, capital efficiency, and other roles as stated in the Corporate Governance Code and improving the effectiveness of the Board of Directors.

Specifically, I have focused on enriching and deepening discussions among the Board. Previously, we had numerous issues to discuss and question and answer sessions around explanations from the executive side required considerable time, which prevented us from securing adequate time for discussion. We also recognized that discussions on critical management issues were required in the early stages, before the executive departments formalized policy, and so established the On-site Meeting in December 2023, a separate meeting from Board of Directors meetings that includes outside directors in a free discussion, and began trials of discussion on strategic topics.

On-site Meetings in FY2024 focused on the critical topic of policies for the next medium-term management plan, with in-depth discussions on the strategic direction and recognized issues such as productivity, business, R&D, DX, and human capital. Exchanging opinions with outside directors ahead of time enabled adequate deliberations in Board of Directors meetings, which I feel allowed for Medium-term Management Plan 2027 to reflect a wide range of perspectives.

To improve the quality of discussions within a limited amount of time, this fiscal year we narrowed the agenda, incorporated efficient reporting methods, and set an agenda that permitted in-depth discussions of highly pressing topics such as the medium- and long-term corporate strategy, revisions to our business portfolio, and more. I believe that this created time for discussions on critical issues and led to higher quality decision-making.

Also, as the Chairperson, I work to clarify the points for discussion and advance the meeting while obtaining the understanding of all Board members. Moving forward, I will use post-meeting reflection and conversations with outside directors to improve my ability to listen and facilitate, thereby further increasing the Board's efficiency.

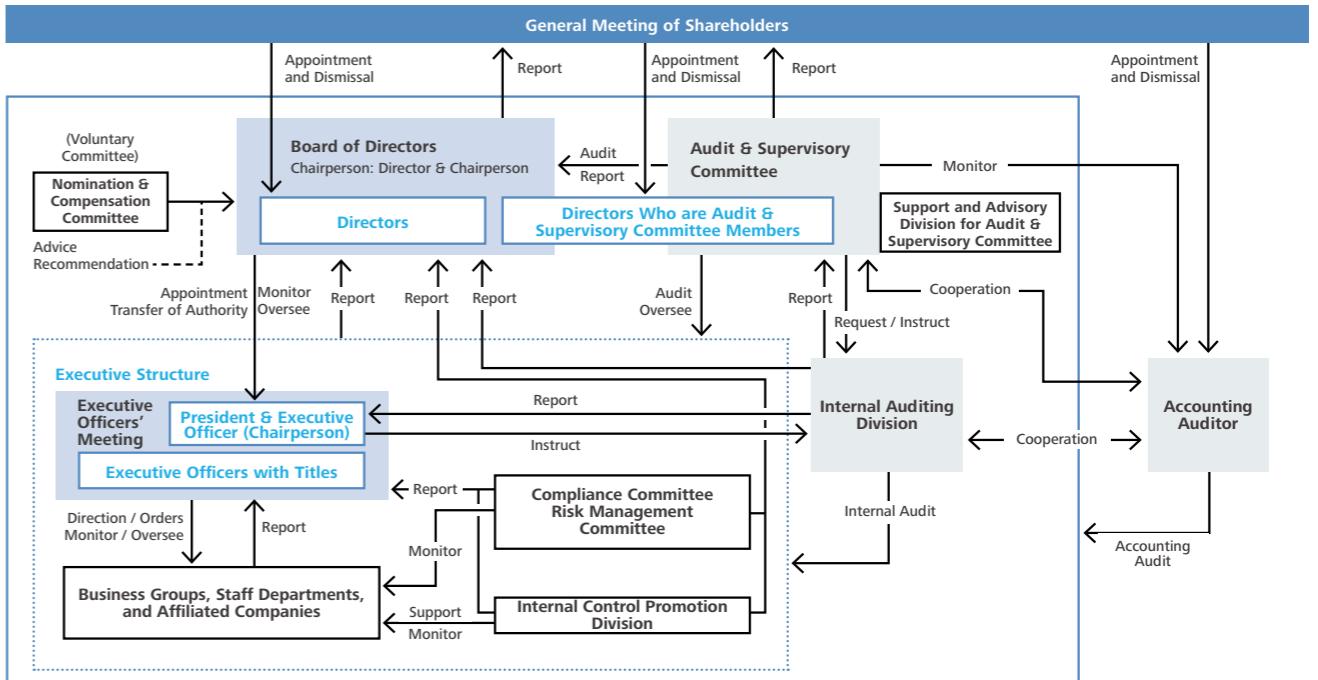
For the Board of Directors to fulfill its roles as trustee and expositor to shareholders, I believe that we must engage in highly effective supervision of management from an independent position. As the Chairperson, my primary responsibility is to clarify the company's target state and steer the company strategically, while working to advance initiatives like the composition of the Board of Directors, engagement in discussions, delegations of authority to the executive departments, strengthening the connection between supervision and executive departments, further enhancing information sharing with outside directors, and more while leading discussions in Board of Directors' meetings.

## 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



### 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 our business execution. In FY2024, 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 10 directors, including 4 who are Audit & Supervisory Committee members. The 10 directors also include 6 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.

#### ② Activities of the Board of Directors

The matters handled by our Board of Directors comprise items for resolution, items to be reported, setting agendas for Board of Directors' meetings, matters for cooperative discussion involving performance evaluations, and Board operations. The Board actively exchanges opinions on matters involving the company's management issues, strategies, and corporate governance while drawing on the knowledge of the outside directors to execute its supervisory functions. Meidensha held irregular "On-site Meetings" consisting of all directors (nine meetings in FY2024). Created in FY2023, these meetings let directors fluidly exchange opinions and discuss issues, strategies, and other matters important to the company that impact management in the early stages. Matters discussed in On-site Meetings are reflected in the execution of business on the executive side and link to decisions and reports from the Board of Directors.

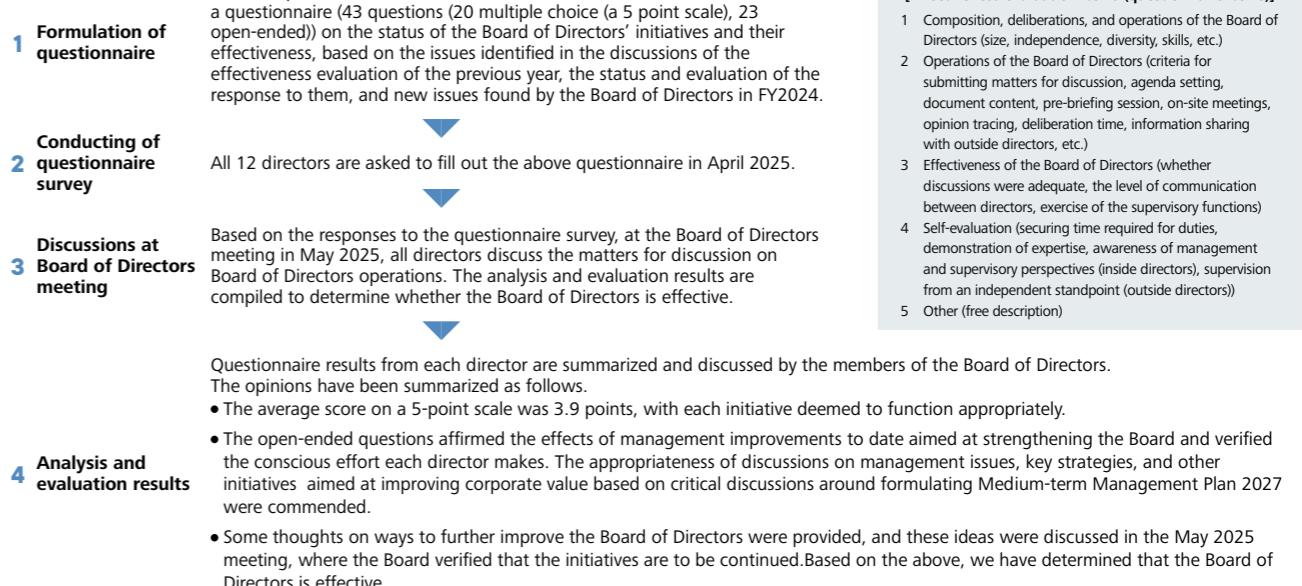
Major topics discussed by the Board of Directors in FY2024 included the following.

Topic	Summary of discussions at Board of Directors meetings
<b>Examinations geared toward formulating Medium-term Management Plan 2027</b>	Held discussions in FY2024 with an emphasis on formulating Medium-term Management Plan 2027. On-site Meetings drew upon the knowledge and experience of directors to discuss business strategies, management and marketing strategies, production and procurement strategies, DX strategies, R&D and IP strategies, human capital and personnel strategies, and other aspects of Medium-term Management Plan 2027, then used the opinions voiced there as the basis of examinations on the executive side, which was later discussed again at Board of Director meetings. This process facilitated discussion on the critical themes for Medium-term Management Plan 2027. These discussions led to the creation of Medium-term Management Plan 2027, which was released in May 2025.
<b>Strengthening internal controls and audit functions</b>	To further strengthen internal control functions and audit functions within the Meiden Group, we exchanged opinions on reorganizing the system for increased effectiveness, and reconfirmed each function and role of the Audit & Supervisory Committee, the Support and Advisory Division for the Audit & Supervisory Committee, the Internal Control Promotion Division responsible for internal controls as the second line of the Three Defense Line, and the Management Auditing Division that is the third line of the Three Defense Line.
<b>Anti-takeover measures</b>	Directors joined study sessions with external experts regarding anti-takeover measures. After confirming updated conditions and examples, multiple discussions were held on the importance of the advance-warning style of anti-takeover measures active within the company. This topic will continue into FY2025 as a critical management theme to be verified in discussions.
<b>③ Participation of Outside Directors in Board of Directors' Meetings</b>	
<b>Participation in the agenda</b>	
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, with explanations from the Executive Vice President and selected executive officers to gain an understanding of each issue 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.	

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

Major issues in FY2023	Status of efforts in FY2024
<b>1 Improve operations of the Board of Directors to further enhance the Board's supervisory functions</b>	In addition to biannual discussions on management issues and topics to be discussed in Board of Directors' meetings introduced in FY2023, directors confirm the agenda for the next two meetings at monthly Board of Directors' meetings so they can flexibly adjust agendas in line with the progress of discussions. Additionally, due to the limited time available at the monthly briefings, to enrich discussions at Board of Directors' meetings, we had been selecting the topics that require prior explanation from the topics for the Board of Directors' meetings, but have now introduced advance explanatory videos to vastly improve operations and expand the number of topics receiving prior explanation. Also, as stated in the section describing the activities of the Board of Directors, we have engaged to further improve the supervisory system through discussions on strengthening the Meiden Group's internal control system and the Board's audit functions.
<b>2 Consider the skills matrix based on medium- and long-term management strategies</b>	As described above, the Board of Directors used On-site Meetings to engage in intense discussions on the formulation of Medium-term Management Plan 2027. Based on these discussions, we revised the skills categories required by the Board of Directors and consulted with the Nomination & Compensation Committee to establish the skills categories for achieving Medium-term Management Plan 2027.

### ② FY2024 analysis and evaluation of effectiveness



**[Effectiveness evaluation items (questionnaire items)]**

- 1 Composition, deliberations, and operations of the Board of Directors (size, independence, diversity, skills, etc.)
- 2 Operations of the Board of Directors (criteria for submitting matters for discussion, agenda setting, document content, pre-briefing session, on-site meetings, opinion tracing, deliberation time, information sharing with outside directors, etc.)
- 3 Effectiveness of the Board of Directors (whether discussions were adequate, the level of communication between directors, exercise of the supervisory functions)
- 4 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))
- 5 Other (free description)

### Issues and Future Initiatives

Major issues in FY2024	Initiatives in FY2025
<b>1 Improve the operations of the Board of Directors to further enhance its supervisory functions</b>	We are reviewing the importance of ongoing initiatives towards improving Board operations in order to further enhance the Board of Directors' supervisory functions. To further improve agenda setting, in FY2025 we will refine efficiency in explanation and reporting methods so that directors can spend more time engaged in critical discussions of the most pressing topics, and will also work to improve operations with a focus on improving agenda setting.
<b>2 Bolster communication between outside directors and executive officers</b>	We are formulating measures to further revitalize communication between the company's outside directors and the executive in charge of business execution in an effort to further deepen the connection between Board of Director On-site Meetings and initiatives for business execution, and cultivate a shared understanding towards increasing corporate value.

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.

Activities of the Nomination & Compensation Committee in FY2024 can be found on our website: <https://meidensha.disclosure.site/en/themes/102>

#### Message from the Head of the Nomination & Compensation Committee

Director & Audit & Supervisory Committee Member (Outside Director)

**Keiko Hayashi**

I assumed the position of Head of the Nomination & Compensation Committee in June 2025. Before taking this role, I worked with numerous publicly traded companies via accounting audits and other activities while also working to promote DEI at multiple organizations. Through that work I recognized the importance of utilizing a diverse range of human resources. Based on that experience, I monitor the progress of initiatives aimed at diversification in the Board of Directors and within the Group, including management positions, while contributing to promoting diverse human resources and fostering a corporate culture that promotes innovation. As a member of the Nomination & Compensation Committee, I will assess the requisite qualifications for leaders in the next stage and select those who can motivate a diverse range of human resources and drive innovation, all while looking to achieve Medium-term Management Plan 2027, which started in FY2025, and setting my sights on the non-continuous growth expected to come after its completion. I also support the formulation of a succession plan for growth and will focus my efforts on supervision. Moving forward, I will continually monitor the effectiveness of the entire compensation system, including evaluations on the effectiveness of items like compensation linked to the enPS introduced in FY2024, and aim to realize an incentive design that contributes to increasing corporate value and medium- and long-term growth.



## 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 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 formulates a successor plan for the CEO and selects multiple potential successors that satisfy certain requirements from the pool of directors and executive officers with titles. Because selected candidates must cultivate the requisite qualifications and skills to create sustainable growth and increase corporate value, we conduct continuous candidate monitoring and formulate growth plans through opportunities to accumulate diverse experiences, interviews with outside directors, and more. Additionally, CEO selection employs a transparent process where candidates are designated in consultation with the Nomination & Compensation Committee, then the Executive Officers' Meeting and the Board of Directors review each candidate and select the successor.

## 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 Audit & Supervisory Committee

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

### Message from the Head of the Audit & Supervisory Committee

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

Seiji Kato



Outside Directors joined Standing Audit & Supervisory Committee Members in FY2024 audits of the execution of duties of executive officers and the diverse range of perspectives increased audit effectiveness. Also, discussions and mutual understanding between the audit side—including Outside Directors—and the executive side were productive.

We created an interim audit report containing audit results and shared the content of that report with all directors, not just auditees. I believe that doing so will prove useful in improving the future format of audits and executive supervision, and help with decision-making. The full audit of the execution of duties will be compiled at the end of the fiscal year and will summarize findings on each item of organization, human resources & DEI, production, compliance, and subsidiaries. This will be reported to the Board of Directors and these items will factor into formulating medium-term management plans. The Board of Directors listens to the recommendations put forth in the report and proposes specific improvements to the executives, so I believe that audit results can drive management effectively.

Creating a managerial environment that can take risks appropriately is essential for the "Growth & Challenge" listed in Medium-term Management Plan 2027, and I support management from the audit side as an Audit & Supervisory Committee Member.

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.

As a general rule, the Audit & Supervisory Committee is held once a month prior to the Board of Directors' Meeting. This is to enable the Audit & Supervisory Committee to form its positions on matters to be discussed at the Board of Directors' Meeting before the meeting is held. In case there is a quarterly audit report from the accounting auditor, the Audit & Supervisory Committee is held twice a month. In FY2024, each meeting lasted an average of roughly 90 minutes, and there were 73 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 5 members with HR and general affairs, legal, intellectual property, finance, sales, production engineering, factory, quality assurance, overseas business planning, and internal auditing experience (as of March 31, 2025).

## 8 Internal Auditing

### ① Organization and Overview

Meidensha has established the Internal Auditing Division (16 members as of March 31, 2025).

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 comprises individuals with diverse experience in business and promotes initiatives that strengthen systems such as advocating that individuals obtain qualifications, starting with internal auditor certification.

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, status of implementation, and audit reporting

In FY2024, 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 14 divisions

selected based on risk factors focused on by management and other risks.

We standardize audits in subsidiaries using audit standardization tools that improve audit standards in order to ensure risk comprehensiveness.

In FY2024, we applied these standards to seven domestic subsidiaries and eight overseas subsidiaries, and have conducted an audit of every subsidiary between FY2021 and FY2024.

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 FY2024, reports were presented monthly to the President & Executive Officer, semiannually to the Board of Directors and the Executive Officers' Meeting, and 11 times to the Audit & Supervisory Committee. Internal audit reports are also sent to the members of the Executive Officers' Meeting and standing Audit & Supervisory Committee members each time one is issued.

## 9 Strengthening Group Governance

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

In FY2024, 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, by verifying and reviewing the consistency between the company's decision-making policies and those of each related company, we maintain the division of roles in business group controls and the scope of responsibility between each division.

Furthermore, to strengthen internal control throughout the Meiden Group, we conducted internal audits of 7 domestic subsidiaries and 8 overseas subsidiaries to confirm the status of internal control development and operation, and visited 2 overseas subsidiaries to foster a common understanding of the importance and challenges of strengthening governance and compliance. Additionally, new subsidiary CEOs receive training to obtain perspective as a director in order to improve the effectiveness of management and supervisory functions and strengthen the subsidiary's Board of Directors.

## 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.

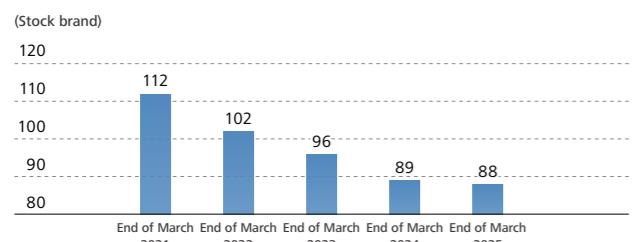
Under this policy, we decide in an annual Board of Directors' meeting to keep or reduce its current holdings of listed stocks

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 FY2024, of the 89 listed and unlisted stocks held as of March 31, 2024 (balance sheet amount: 26,280 million yen), we sold our entire holdings of one listed stock, decreased one unlisted stock due to dissolution, and increased one listed stock through a new acquisition via membership in a golf club, resulting in the number of stocks held to 88 as of March 31, 2025 and a decrease in our balance sheet amount to 23,221 million yen. This represents 16.3% of consolidated net assets as of March 31, 2025. Additionally, the company does not hold any deemed shares.

Based on the basic policy mentioned above, in FY2025, we will review cross-shareholdings and advance appropriate responses while staying cognizant of securing resources for continued value creation connected to the growth strategies and investment strategies detailed in Medium-term Management Plan 2027.

### 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

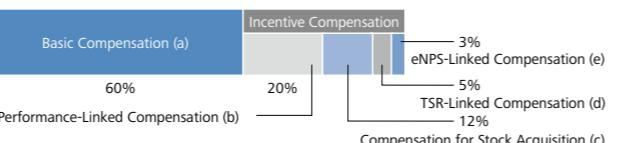
##### (a) Directors (excluding Audit & Supervisory Committee members and outside directors)

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)\*1 as medium- to long-term incentives.

\*1 eNPS: Net Promoter Score (NPS®) for employees. NPS® is a registered trademark of Bain & Company, Fred Reichheld, and Satmetrix Systems.

#### 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

(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 FY2023 was 12.731 billion yen compared to the target of 10 billion yen, which represents an achievement rate of 127%.

#### Calculation Formula



(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<sup>2</sup> (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.

In FY2023, our TSR was 211.6% compared to a TSR for TOPIX including dividends of 196.2%, for a relative TSR of 107%.

#### Calculation Formula



\*2 Relative TSR = Company's TSR as of the final business year-end date ÷ TSR of TOPIX (including dividends) corresponding to the Company's TSR calculation period

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<sup>3</sup>, the amount to be paid is 100.

Additionally, FY2024 was the fiscal year we first introduced eNPS-linked compensation, so we paid TSR-linked compensation standard amount by position in accordance.

#### Calculation Formula



\*3 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 director (excluding Audit & Supervisory Committee members. Hereinafter the same shall apply in this section.) 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 on the details of individual compensation for each director 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 (excluding Audit & Supervisory Committee members) are in line with the decision-making policy.

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.

#### Directors' Compensation (FY2024)

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)	245	154	90	5
Outside directors (excluding Audit & Supervisory Committee members)	43	43	—	4
Directors who are Audit & Supervisory Committee members (excluding Outside Directors)	28	28	—	2
Outside directors who are Audit & Supervisory Committee members	31	31	—	4
Total	349	258	90	15

Notes

1. Amounts are rounded down to the nearest 1 million yen.
2. The totals above include 1 director and 2 director and Audit & Supervisory Committee members (including 1 outside director) who stepped down from their positions at the end of the 160th Ordinary General Meeting of Shareholders held on June 25, 2024.
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.

## Dialogues with Shareholders and Investors

### Basic Approach

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.

### Results of Conversations with Stakeholders

#### Examples of Dialogue-Driven Actions

##### ① Manage the relationship with the director skill matrix and the Medium-Term Management Plan 2027

Shareholders opined about the importance of the relationship between each director's skills and the medium-term management plan and noted that a system linking the skill matrix and the medium-term management plan would make this easier to understand.

Based on this feedback, we held discussions on the aims of the Medium-Term Management Plan 2027 and revised the skill matrix to align with it.

##### ② Continued discussions on the continuation of anti-takeover measures

Numerous investors asked for updates on our approach to anti-takeover measures while grasping the current state of the world.

In FY2024 we held study sessions with outside experts on anti-takeover measures for directors, and after verifying the most recent situation and examples, held multiple meetings on the importance of proactive anti-takeover measures introduced within the company. In FY2025 we will continue to hold meetings on this crucial operational matter.