

**Basic Policy on Corporate Governance**

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Serial number	Chapter	Section	Article	Heading	Details
1	Chapter 1. General Provisions		1	Purpose	Kohoku Kogyo Co., Ltd. (“the Company”) has established the Basic Policy on Corporate Governance (“Basic Policy”) and works to improve corporate governance in order to enhance the Group’s medium- to long-term corporate value based on the Company’s management philosophy.
2	Chapter 1. General Provisions		2	Revision	Revisions to this Basic Policy shall be made by resolution of the Board of Directors and disclosed in a timely, appropriate manner.
3	Chapter 1. General Provisions		3	Basic Concept of Corporate Governance	Under the management philosophy of “practice corporate management with participation by all members and appreciation of richness in their personality, and aim to become a one-of-a-kind company through creation of new values,” the Company shall continuously endeavor to enhance its corporate governance from the perspective of optimizing the participation-type management. As it does so, the Company shall contribute to all stakeholders including shareholders, business partners and employees, while working to achieve sustainable growth and increase corporate value over the medium to long term.
4	Chapter 2. Shareholder Rights and Equality		4	General Meeting of Shareholders	Whenever possible, the Company shall hold its General Meeting of Shareholders on different days from those of other companies in an effort to allow shareholders to exercise their rights appropriately. 2. The Company shall dispatch convocation notices as early as possible to ensure that shareholders have sufficient time to consider the agenda items. 3. The Board of Directors shall tabulate the voting results of the General Meeting of Shareholders and analyze and discuss them at their next board meeting.
5	Chapter 2. Shareholder Rights and Equality		5	Shareholder Equality	The Company shall treat every shareholder equally according to their equity and disclose corporate information appropriately so that there are no information disparities between shareholders.
6	Chapter 2. Shareholder Rights and Equality		6	Basic Capital Policy	The Company shall conduct appropriate capital policies based on its shareholder composition and cost of capital in order to achieve sustainable growth and enhance corporate value over the medium to long term. 2. When implementing capital policies that significantly affect the interests of existing shareholders, such as a capital increase, the Board of Directors shall consider the necessity and appropriateness of the policy and endeavor to provide adequate explanation to shareholders.
7	Chapter 2. Shareholder Rights and Equality		7	Basic Policy Concerning Cross-Shareholdings and Exercise of Related Voting Rights	In order to create business opportunities and build, maintain and strengthen business and collaborative relationships, the Company’s Board of Directors shall decide whether or not to acquire shares of a company based on the acquisition’s significance and economic rationale, and may hold shares of companies it deems necessary. 2. Each year, the Board of Directors shall review the appropriateness of continuing to hold the cross-held shares for each company, taking into consideration the cost of capital, and strive to reduce cross-shareholdings by selling shares that are no longer meaningful to the Company. 3. The Company shall appropriately exercise the voting rights of listed shares it holds , taking into consideration the policies of its proxy advisory firm and making comprehensive judgments as to whether or not the exercise of voting rights will contribute to the sustainable growth and medium- to long-term enhancement of corporate value of the companies in which it holds shares.
8	Chapter 2. Shareholder Rights and Equality		8	Anti-Takeover Measures	The Company shall not implement anti-takeover measures. 2. In the event that a tender offer is placed for the Company’s shares, the Board of Directors shall request the tender offer or to explain measures to enhance the Group’s corporate value and consider how to respond from this perspective.
9	Chapter 2. Shareholder Rights and Equality		9	Related Party Transactions	The Company shall establish appropriate procedures to ensure that any transactions with its officers or major shareholders (related party transactions) are not detrimental to the Company or the common interests of its shareholders. 2. Specifically, the Company shall establish Related Party Transaction Management Rules and, after thorough review of the rationality (business necessity) of the transaction and the appropriateness of the transaction terms and conditions, adopt a resolution at a meeting of the Board of Directors or report to the Board of Directors depending on the nature of the transaction.

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10	Chapter 3. Stakeholder Relations		10	Stakeholder Relations	<p>The Company shall strive to maintain good relationships with its shareholders, employees, customers, business partners, creditors, local communities and various other stakeholders and act in accordance with the Code of Conduct to earn their trust.</p> <p>2. The Company recognizes the social responsibility expected of it and shall address social, environmental and other sustainability issues through its business.</p> <p>3. The Company recognizes that human resources with various knowledge, experiences and competence are necessary for its sustainable growth and medium- to long-term enhancement of corporate value and shall promote internal employee diversity, including in terms of gender and internationality.</p>	
11	Chapter 3. Stakeholder Relations		11	Whistleblowing	<p>The Company shall establish a whistleblower hotline to ensure compliance and develop an appropriate system to ensure that employees and other whistleblowers are not subjected to disadvantageous treatment.</p>	
12	Chapter 4. Appropriate Information Disclosure and Transparency		12	Information Disclosure Standards	<p>The Company shall endeavor to disclose accurate information in a timely, appropriate manner with respect to statutory disclosures required by the Companies Act, the Financial Instruments and Exchange Act and other related laws and regulations as well as timely disclosures required by stock exchanges.</p> <p>2. When disclosing information, the Company shall pay attention to insider information and strive to prevent information disparities between shareholders.</p>	
13	Chapter 5. Corporate Governance Structure	Section 1. Institutional Design	13	Institutional Design	<p>The Company shall choose a company with a board of company auditors as its institutional design under the Companies Act.</p> <p>2. Within the scope of delegation by the Board of Directors, management meetings that deliberate on certain matters related to management shall be held in order to ensure appropriate management decision-making.</p>	
14	Chapter 5. Corporate Governance Structure	Section 2. Responsibilities of the Board of Directors	14	Roles and Responsibilities of the Board of Directors	<p>The Board of Directors, entrusted by shareholders, shall be responsible for the sustainable growth of the Company and medium- to long-term enhancement of its corporate value by making management policy, business plans and other important Company decisions and overseeing business execution in compliance with laws, regulations, the Articles of Incorporation and other rules.</p> <p>2. In order to fulfill the above responsibilities, the Board of Directors shall exercise its oversight function on overall management and ensure transparency in corporate management through decisions on appointment, dismissal and remuneration of directors, executive officers, etc.</p>	
15	Chapter 5. Corporate Governance Structure	Section 2. Responsibilities of the Board of Directors	15	Roles of Independent Outside Directors	<p>Independent outside directors shall actively ask questions and express their opinions from an independent standpoint to enhance the appropriateness of decision-making and effectiveness of oversight by the Board of Directors.</p> <p>2. With respect to the appointment of independent outside directors, the Company shall comply with the independence standards established by the Tokyo Stock Exchange and determine after examining whether they can be expected to provide advice and oversight based on an objective, neutral standpoint.</p> <p>3. Independent outside directors shall regularly exchange opinions with auditors or the Audit and Supervisory Board and others regarding the overall management of the Company.</p> <p>4. In order to fulfill their role, independent outside directors shall request information from the Company, as necessary.</p> <p>5. The status of concurrent positions held by independent outside directors shall be included in corporate governance reports and General Meeting of Shareholders convocation notices.</p>	
16	Chapter 5. Corporate Governance Structure	Section 3. Effectiveness of the Board of Directors	16	Composition of the Board of Directors	<p>The Board of Directors shall be composed of no more than nine directors, at least two of whom are independent outside directors, in consideration of the number of directors who can make accurate and prompt decisions.</p> <p>2. The Board of Directors shall consist of a well-balanced group of people with strengths in specialized fields such as manufacturing, technology, research and development, sales, administration, accounting, sustainability in order to ensure diversity among directors.</p>	

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17	Chapter 5. Corporate Governance Structure	Section 3. Effectiveness of the Board of Directors	17	Policy and Criteria for Appointment and Dismissal of Directors	<p>When appointing and dismissing directors, the Board of Directors shall consider based on the following criteria so that such will contribute to the Company's sustainable growth and medium- to long-term enhancement of corporate value, taking into account the perspective of diversity such as gender and internationality.</p> <ol style="list-style-type: none"> <li>1. Appointment criteria for directors                             <ol style="list-style-type: none"> <li>(1) Complies with laws, regulations, the Company's Articles of Incorporation and other rules, and has a strong awareness of compliance</li> <li>(2) Possesses a high level of knowledge and experience in their area of expertise</li> </ol> </li> <li>2. With respect to independent outside directors, the Company shall comply with the requirements of the Companies Act and the independence standards established by the Tokyo Stock Exchange, and appoint persons who can be expected to provide advice and oversee management based on an independent and objective standpoint in accordance with such standards.</li> <li>3. Dismissal criteria for directors                             <p>Fraud, serious violation of laws, regulations, Articles of Incorporation or other rules, or gross negligence of duties</p> </li> <li>4. Appointment and dismissal process for directors                             <ol style="list-style-type: none"> <li>(1) In order to enhance fairness, transparency and objectivity, the Nomination and Remuneration Advisory Committee shall deliberate and report on director appointment in response to an inquiry from the Board of Directors, and after the Board of Directors determines director candidates, they shall be appointed as directors by a resolution of the General Meeting of Shareholders.</li> <li>(2) In order to enhance fairness, transparency, and objectivity, the Nomination and Remuneration Advisory Committee shall deliberate and report on director dismissal in response to an inquiry from the Board of Directors, and if dismissal is deemed necessary as a result of the Board of Directors considering whether or not dismissal is necessary, the director shall be dismissed by a resolution of the General Meeting of Shareholders.</li> </ol> </li> </ol>
18	Chapter 5. Corporate Governance Structure	Section 3. Effectiveness of the Board of Directors	18	Responsibilities of Directors	<p>Directors must collect sufficient and appropriate information to execute their duties and fulfill their responsibilities by actively expressing their opinions.</p> <ol style="list-style-type: none"> <li>2. Upon assuming office, directors of the Company must understand the relevant laws, regulations, the Company's Articles of Incorporation and other rules as well as the role required of them.</li> </ol>
19	Chapter 5. Corporate Governance Structure	Section 3. Effectiveness of the Board of Directors	19	Evaluation of Effectiveness of the Board of Directors	<p>The Board of Directors shall annually analyze and evaluate the effectiveness of the operation of the Board of Directors and disclose a summary of the results in an appropriate manner.</p>
20	Chapter 5. Corporate Governance Structure	Section 3. Effectiveness of the Board of Directors	20	Support Structure for Operation of the Board of Directors	<p>A secretariat shall be established to ensure the proper operation of the Board of Directors.</p> <ol style="list-style-type: none"> <li>2. The secretariat shall be responsible for holding Board of Directors meetings, preparing and keeping the minutes and handling other related administrative matters.</li> </ol>
21	Chapter 5. Corporate Governance Structure	Section 4. Audit Functions of the Audit and Supervisory Board	21	Roles and Responsibilities of the Audit and Supervisory Board	<p>The Audit and Supervisory Board shall be composed of three auditors (including two outside auditors), hold a regular meeting once a month, receive reports on important management matters from directors and discuss or make resolutions.</p> <p>Each auditor shall audit the execution of duties by directors by establishing audit policies and plans, attending meetings of the Board of Directors and other important meetings and examining the status of the Company's operations and assets. The auditors shall include persons with legal expertise as attorneys.</p> <ol style="list-style-type: none"> <li>2. The Audit and Supervisory Board shall establish criteria to appropriately select outside accounting auditor candidates and appropriately evaluate outside accounting auditors.</li> <li>3. The Audit and Supervisory Board shall confirm whether the outside accounting auditor has the required independence and expertise.</li> </ol>
22	Chapter 5. Corporate Governance Structure	Section 4. Audit Functions of the Audit and Supervisory Board	22	Independent Outside Auditors	<p>In order to fulfill their role, independent outside auditors shall request information from the Company as necessary and conduct objective audits and oversight of the Board of Directors from an independent, neutral standpoint.</p> <ol style="list-style-type: none"> <li>2. The status of concurrent positions held by independent outside auditors shall be included in corporate governance reports and General Meeting of Shareholders convocation notices.</li> </ol>

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23	Chapter 5. Corporate Governance Structure	Section 4. Audit Functions of the Audit and Supervisory Board	23	Relationship between the Internal Audit Department and Supervisory Board, Accounting Auditor and Internal Audit Department	The Audit and Supervisory Board, accounting auditor and Internal Audit Department shall appropriately cooperate with each other to establish a system that enables effective auditing.
24	Chapter 5. Corporate Governance Structure	Section 5. Independence of Officer	24	Independence Standards	The Company shall comply with the requirements of the Companies Act and the independence standards of the Tokyo Stock Exchange, and appoint independent outside directors and independent outside auditors who can be expected to provide advice and oversee management based on an independent and objective standpoint in accordance with such standards.
25	Chapter 5. Corporate Governance Structure	Section 6. Executive Structure	25	Management Meetings	Management meetings, composed of directors and executives at the department head level and above, shall meet to thoroughly discuss important matters at the Company, such as medium-term management plans, budgets and important agenda items. 2. Each business and division shall meet once a month to report on its progress on each business policy, and also as needed, for effective and efficient business execution.
26	Chapter 5. Corporate Governance Structure	Section 6. Executive Structure	26	Responsibilities of Executive Officers	Executive officers shall be appointed by the Board of Directors in accordance with the executive officer regulations and execute the matters decided by the Board of Directors.
27	Chapter 5. Corporate Governance Structure	Section 7. Remuneration System	27	Policies and Procedures	<p>1. Policy for Determining Director Remuneration</p> <p>(1) As the Company expands its business on the global market, it shall design the remuneration system to secure excellent human resources.</p> <p>(2) The remuneration system shall be a sound incentive for the Company's sustainable growth and medium- to long-term enhancement of corporate value.</p> <p>(3) The remuneration system shall be fair, transparent and objective to shareholders and other stakeholders.</p> <p>(4) The remuneration system shall align with the Company's management philosophy, which aims for management "with participation by all members."</p> <p>2. Procedures for Determining Director Remuneration</p> <p>(1) The Company shall formulate policy for the executive remuneration system and determine each director's remuneration based on deliberations and reports by the Nomination and Remuneration Advisory Committee.</p> <p>(2) All matters regarding the policy for determining director remuneration and each director's remuneration based on this policy shall be determined by resolution of the Board of Directors, which has the authority to make the final decision, based on the deliberations and reports by the Nomination and Remuneration Advisory Committee.</p> <p>(3) The Nomination and Remuneration Advisory Committee shall be established to enhance the fairness, transparency and objectivity of management and to maximize corporate value as part of efforts to strengthen corporate governance.</p> <p>(4) The Nomination and Remuneration Advisory Committee shall consist of members selected by resolution of the Board of Directors, a majority of whom shall be independent outside directors.</p>

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28	Chapter 5. Corporate Governance Structure	Section 7. Remuneration System	28	Remuneration Structure	<p>Compensation for directors of the Company shall be an amount that reflects business performance with consideration given to the duties, position, performance, and achievements, etc.</p> <p>Specifically, from the perspective of sharing value with shareholders, remuneration for directors, excluding outside directors, shall consist of basic compensation, bonuses, and restricted stock compensation.</p> <p>In view of their duties independent from the execution of business, remuneration for outside directors shall consist only of basic compensation.</p> <p>The limit on the amount of remuneration for directors was resolved at the 58th Ordinary General Meeting of Shareholders held on March 30, 2017 to be no more than 300 million yen (excluding employee salary), and amounts are determined within this range.</p> <p>II Basic remuneration Basic remuneration shall be determined by taking into consideration the content of duties and position of each director, and shall be paid monthly.</p> <p>III Bonuses The total amount of bonuses shall be determined based on the Company's operating profit, etc., for each fiscal year, with the specific allocation to each applicable director determined individually by taking into consideration an evaluation of the performance and achievements of the department and position. These shall be paid in installments once or twice a year.</p> <p>IV Restricted stock compensation The Company has introduced restricted stock compensation to provide an incentive for the sustainable improvement of our corporate value and to further share that value with our shareholders.</p> <p>At the 65th Ordinary General Meeting of Shareholders held on March 28, 2024, it was resolved that restricted stock compensation shall be made by providing monetary claims of up to 50 million yen per year in total (However, the employee salary of directors concurrently serving as employees is not included), separately from the limit on remuneration for directors stated in the basic policy above, and by having all such monetary claims be contributed in kind.</p> <p>The specific allocation of restricted stock compensation to each eligible director shall be determined individually within the scope described above, taking into consideration an evaluation of the performance and achievements of the department they are in charge of, and shall be paid once a year.</p>
29	Chapter 5. Corporate Governance Structure	Section 8. Education and Training for Directors and Auditors	29	Training Policy for Directors and Auditors	<p>The Company shall provide, facilitate and help pay for training opportunities for directors and auditors, including outside directors and auditors, tailored to each one's needs, with the aim of enabling them to acquire necessary knowledge of the Company's business, finances and organization upon assuming office, providing opportunities to understand the roles and responsibilities expected of them and continuously updating these during their term of office.</p>
30	Chapter 6. Dialogue with Shareholders		30	Constructive Dialogue with Shareholders	<p>The Company shall strive to actively engage in constructive dialogue with its shareholders and develop a framework for such dialogue in order to contribute to its sustainable growth and enhancement of corporate value over the medium to long term.</p> <ol style="list-style-type: none"> <li>2. Dialogue with shareholders shall be overseen by the administrative department director in charge of investor relations.</li> <li>3. The division in charge of investor relations shall be the Investor Relations and Public Relations Department and engage in constructive dialogue with shareholders by sharing information and exchanging opinions with related divisions.</li> <li>4. Opinions received through constructive dialogue with shareholders shall be shared within the Company by report to the Board of Directors and utilized in future business operations.</li> <li>5. When interacting with shareholders, we pay attention to the fairness of information disclosure through the operation of the Disclosure Policy and related practical guidelines. In addition, the Company strives to ensure thorough management of insider information by holding regular in-house seminars to familiarize employees with the "Insider Trading Management Regulations".</li> <li>6. The Company shall conduct a substantial shareholder survey twice a year to understand the shareholder structure.</li> </ol>