



Basic Policy on Corporate Governance

Kohoku Kogyo Co., Ltd.

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Chapter 1 General Provisions

(Purpose)

Article 1 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.

(Revision)

Article 2 Revisions to this Basic Policy shall be made by resolution of the Board of Directors and disclosed in a timely, appropriate manner.

(Basic principles of corporate governance)

Article 3 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.

Chapter 2 Ensuring Shareholder Rights and Equality

(General Meeting of Shareholders)

Article 4 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.

(Ensuring equality among shareholders)

Article 5 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.

(Basic capital policy)

Article 6 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. In addition, with regard to transactions between the Company and controlling shareholders, the Company will take measures to ensure that the interests of minority shareholders are not hindered, such as by consulting a special committee composed of independent individuals, including independent outside directors.

(Basic Policy Concerning Cross-Shareholdings and Exercise of Related Voting Rights)

Article 7 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.

(Anti-Takeover Measures)

Article 8 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.

(Related Party Transactions)

Article 9 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.

Chapter 3 Stakeholder Relations

(Stakeholder Relations)

Article 10 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.

2. The Company recognizes the social responsibility expected of it and shall address social, environmental and other sustainability issues through its business.
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.

(Whistleblowing)

Article 11 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.

Chapter 4 Ensuring Appropriate Information Disclosure and Transparency

(Information Disclosure Standards)

Article 12 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.

2. When disclosing information, the Company shall pay attention to insider information and strive to prevent information disparities between shareholders.

Chapter 5 Corporate Governance Structure

Section 1: Organizational Design

(Institutional Design)

Article 13 The Company has chosen to adopt a company with an audit and supervisory committee as its organizational design under the Companies Act.

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.

Section 2 Responsibilities of the Board of Directors

(Roles and Responsibilities of the Board of Directors)

Article 14 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.

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.

(Roles of Independent Outside Directors)

Article 15 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.

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.
3. Independent Outside Directors will regularly exchange opinions with other Independent Outside Directors regarding the Company's overall management.
4. In order to fulfill their role, independent outside directors shall request information from the Company, as necessary.
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.

Section 3 Effectiveness of the Board of Directors

(Composition of the Board of Directors)

Article 16 Taking into consideration the number of members necessary to make accurate and prompt decisions, the Board of Directors shall consist of no more than eight Directors who are not Audit and Supervisory Committee Members and no more than five Directors who are Audit and Supervisory Committee Members (hereinafter referred to as "Audit and Supervisory Committee Members"), and the majority of Directors shall be Independent Outside Directors.

2. The Board of Directors shall consist of a well-balanced group of people with strengths in specialized fields such as management, manufacturing, technology/research and development, sales, legal affairs, finance/accounting, and sustainability in order to ensure diversity among directors.

(Policy and Criteria for Appointment and Dismissal of Directors)

Article 17 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.

2. Appointment criteria for directors

(1) Complies with laws, regulations, the Company's Articles of Incorporation and other rules, and has a strong awareness of compliance

(2) Possesses a high level of knowledge and experience in their area of expertise

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3. 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.

4. Dismissal criteria for directors

(1) Fraud, serious violation of laws, regulations, Articles of Incorporation or other rules, or gross negligence of duties

5. Appointment and dismissal process for directors

(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.

(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.

(Directors' Responsibilities)

Article 18 Directors must collect sufficient and appropriate information to execute their duties and fulfill their responsibilities by actively expressing their opinions.

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.

(Evaluation of the effectiveness of the Board of Directors)

Article 19 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.

(Support Structure for Operation of the Board of Directors)

Article 20 A secretariat shall be established to ensure the proper operation of the Board of Directors.

2. The secretariat shall be responsible for holding Board of Directors meetings, preparing and keeping the minutes and handling other related administrative matters.

Section 4 Audit Functions of the Audit and Supervisory Committee

(Roles and Responsibilities of the Audit and Supervisory Committee)

Article 21 The Audit and Supervisory Committee shall be composed of three members (three of whom shall be outside directors) and shall hold regular meetings once a month to receive reports from directors on important matters concerning management and to hold discussions or make resolutions. The Audit and Supervisory Committee shall determine audit policies and audit plans. The members of the Audit and Supervisory Committee shall attend meetings of the Board of Directors and other important meetings, and shall audit the performance of duties by the Directors by investigating the Company's operations and financial status. The members of the Audit and Supervisory Committee shall include persons with accounting knowledge as certified public accountants and persons with legal knowledge as attorneys.

2. The Audit and Supervisory Committee shall establish standards for appropriately selecting candidates for external accounting auditors and appropriately evaluating external accounting auditors.
3. The Audit and Supervisory Committee will verify whether the external accounting auditor has the required independence and expertise.

(Independent External Audit and Supervisory Committee Member)

Article 22 In order to fulfill their roles, the Independent Outside Audit and Supervisory Committee Members shall request information from the Company as necessary and conduct objective audits and supervision of the Board of Directors from an independent and neutral standpoint.

2. The status of concurrent positions held by Independent Outside Audit and Supervisory Committee Members shall be stated in the Corporate Governance Report and the Notice of General Meeting of Shareholders.

(Relationship between the Audit and Supervisory Committee, the Accounting Auditor and the Internal Audit Department)

Article 23 The Audit and Supervisory Committee, the accounting auditor and the internal audit department shall work together appropriately to establish a system that enables effective audits to be conducted.

Section 5 Independence of Officers

(Independence Criteria)

Article 24 The Company shall comply with the requirements of the Companies Act and the independence standards of the Tokyo Stock Exchange and, in accordance with said standards, appoint independent outside directors who can be expected to provide advice and supervision of management from an independent and objective standpoint.

Section 6: Executive Structure

(Management Meeting)

Article 25 The Company shall position the Management Committee as an advisory body to the Directors, consisting of the Directors and Executive Officers, etc., and shall hold thorough discussions at the Management Committee on important matters for the Company, such as the medium-term management plan, budget, and important proposals, and shall deliberate on matters referred to by the Directors to carry out prompt and appropriate management.

(Responsibilities of Executive Officers)

Article 26 Executive Officers shall be appointed by the Board of Directors in accordance with the provisions of the Executive Officer Regulations, and shall execute business operations as persons responsible for the business divisions or departments under their jurisdiction. They shall also attend management meetings conducted in accordance with the management policies, etc. decided by the Board of Directors, and participate in the deliberation of business execution policies, etc.

Section 7 Remuneration System

(Policies and Procedures)

Article 27 Policy for determining directors' remuneration

- (1) As the Company expands its business on the global market, it shall design the remuneration system to secure excellent human resources.
- (2) The remuneration system shall be a sound incentive for the Company's sustainable growth and medium- to long-term enhancement of corporate value.
- (3) The remuneration system shall be fair, transparent and objective to shareholders and other stakeholders.
- (4) The remuneration system shall align with the Company's management philosophy, which aims for management "with participation by all members."

2. Procedures for Determining Director Remuneration

- (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.
- (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.
- (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.
- (4) The Nomination and Remuneration Advisory Committee shall be composed of members selected by resolution of the Board of Directors, the majority of whom shall be independent outside directors.

(Remuneration Structure)

Article 28 Basic Policy

(1) The remuneration of the Company's Directors who are not Audit and Supervisory Committee Members shall be an amount that reflects business performance, taking into consideration the nature of their duties, position, track record, achievements, etc. Specifically, remuneration for directors who are not audit and supervisory committee members (excluding outside directors) will consist of basic remuneration, bonuses and restricted stock compensation, with a view to sharing value with shareholders. Furthermore, in consideration of the fact that their duties are independent of business execution, remuneration for Outside Directors shall consist of basic remuneration only. The remuneration limit for directors who are not audit and supervisory committee members was resolved at the 66th Ordinary General Meeting of Shareholders held on March 28, 2025 to be within 3 million yen (of which the portion for outside directors is 50 million yen per year), and remuneration will be determined within this range. The maximum remuneration for directors who are audit and supervisory committee members was resolved at 50 million yen at the 66th Ordinary General Meeting of Shareholders to be held on March 28, 2025, and will be determined within this range.

2. Basic remuneration

(1) Basic remuneration shall be determined by taking into consideration the content of duties and position of each director, and shall be paid monthly.

3. Bonuses

(1) 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.

4. Restricted Stock Compensation

(1) Restricted stock compensation will be introduced to provide incentives for the sustainable improvement of the Company's enterprise value and to promote further sharing of value with shareholders. At the 66

th Ordinary General Meeting of Shareholders held on March 28, 2025, it was resolved that restricted stock compensation will be provided by paying monetary claims up to a total amount of 30 million yen per year, separate from the compensation limit for Directors who are not Audit and Supervisory Committee Members set out in the basic policy above, and by having all of said monetary compensation claims be contributed in kind. The specific allocation of restricted stock compensation to each eligible Director will be determined individually, within the above range, taking into consideration the evaluation of the performance, achievements, etc. of the department in charge, and will be paid once a year.

Section 8: Directors' Study and Training

(Director training policy)

Article 29 The Company shall provide and arrange training opportunities and cover the costs for each Director, including Outside Directors, suited to each Director, for the purpose of enabling them to acquire necessary knowledge regarding the Company's business, finances, organization, etc. upon assuming their position, and to understand the roles and responsibilities expected of Directors, and to continually update such knowledge during their term of office.

Chapter 6 Dialogue with Shareholders

(Constructive dialogue with shareholders)

Article 30 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.

2. Dialogue with shareholders will be overseen by the Director in charge of the Administration Division.
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.
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.
5. The Company shall conduct a substantial shareholder survey twice a year to understand the shareholder structure.

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