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C K D株式会社

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Representative Director,

President and Chief Executive Officer

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<https://www.ckd.co.jp/>

The status of the Company's corporate governance is as follows:

I Basic approach to corporate governance, capital structure, corporate attributes, and other basic information

1. The basic idea.

Based on our Management Philosophy, we believe that in order to build good relationships with stakeholders with diverse interests and become a company that continues to be trusted, we will build and function a system to enhance the transparency and fairness of our management content and achieve sustainable growth and increase corporate value through prompt decision-making.

【Reasons for not implementing the Principles of the Corporate Governance Code】

【Replenishment principle 2-3① Issues related to sustainability, including social and environmental issues】

We recognize sustainability issues as extremely important management issues from the perspective of increasing corporate value over the medium to long term, and the Sustainability Committee, chaired by the President, discusses and responds. We will consider actively and actively working on these initiatives in the future.

【Replenishment principle 3-1③ Enhancement of information disclosure】

We recognize that sustainability issues are important from the perspective of increasing corporate value over the medium to long term, and we disclose them in our integrated report. In addition, we will collect and analyze the impact of risks related to climate change and earnings opportunities on the Company in the future, and promote the enhancement of the quality and quantity of information disclosure.

【Replenishment principle 4-2② Roles and Responsibilities of the Board of Directors (2)】

On our HP (<https://www.ckd.co.jp/en/csr/sdgs/>) We have formulated and disclosed the Basic Policy on Sustainability. The Board of Directors supervises the Company's business strategy to contribute to sustainable growth.

【Principle 5-2 Formulation and publication of management strategies and plans】

The Company has formulated a medium-term management plan and discloses it on its website. In the

future, we will further consider and set targets such as earnings plans and capital efficiency, and work to make clear indications regarding the allocation of management resources, etc.

【Replenishment principle 5-2① Formulation and publication of management strategies and plans】
We will discuss the formulation of basic policies on our business portfolios at the Board of Directors and consider them for disclosure.

【Disclosure based on the principles of the Corporate Governance Code】

【Principle 1-4 Policy holdings shares】

In principle, the Company will not hold its own shares unless it deems it to contribute to the enhancement of the Company's corporate value from the viewpoint of business strategy, business alliances with business partners, maintenance and strengthening of business relationships, etc.

We will proceed with the sale of shares with a diminished retention value in a phased way, taking into account the situation of the company concerned. When it is judged that it is necessary to hold, the Company examines the market value evaluation, ROE, dividend yield, etc. of each stock held every year regarding the necessity of maintaining and strengthening business strategies, business alliances, business relationships, etc., and verifies the aim and rationality of holding at the Board of Directors meetings. In addition, when the exercise of voting rights pertaining to the stock adversely affects the soundness of the finances of the issuing company or illegal acts occur, the Company will exercise its voting rights by considering whether it will lead to an improvement in the corporate value of the company concerned and whether it will lead to an improvement in shareholder value, such as opposing the proposal. In addition, if a company holding the Company's shares indicates its intention to sell the Company's shares, the Company shall not prevent the sale.

【Principle 1-7 Transactions between related parties】

When the Company conducts business with officers of the Company, the Board of Directors shall obtain approval from the Board of Directors in accordance with the provisions of laws and regulations and internal regulations so as not to harm the interests of shareholders. In addition, the officer who conducted the transaction shall report important facts to the Board of Directors without delay.

【Principle 2-6 Functioning as an asset owner of corporate pensions】

The Company uses the Defined Benefit Corporate Pension Plan and the Defined Contribution Pension Plan. With regard to the defined benefit corporate pension plan, we entrust the management of assets to the management trustee. Since it is necessary to continue sound fiscal management and appropriately evaluate and select management organizations, we appoint persons with specialized skills and knowledge related to the operation and management of the Fund as the president and seek human resource development by participating in various trainings. In terms of management, by regularly monitoring the status of the management of pension assets, we pay attention to conflicts of interest that may arise between the beneficiaries of corporate pensions and the Company, and strive to

create an appropriate investment environment. Employees are the first to operate the defined contribution pension system.

【Principle 3-1 Enhancement of information disclosure】

(1) We have established our corporate philosophy as "We will contribute to the creation of an affluent society by innovating fluid control and automation with creative wisdom and technology", and we will strive for the purpose of accurately fulfilling social responsibility and continuing and developing business.

(2) Please refer to the "I..1 Basic Thinking" section of this report for basic corporate governance principles and basic policies.

(3) Policies and procedures for determining remuneration for senior management and directors

• Basic Policy

① A system that enhances the desire to contribute to the enhancement of corporate value

② Ensure the appropriateness of the method and allocation of remuneration

③ A system in which shares can share interests with shareholders

• Process and content of the decision

Directors' remuneration consists of basic remuneration, performance-linked compensation, and stock compensation, and outside directors who are responsible for supervisory functions shall be only basic remuneration in light of their duties.

In addition, the ratio of performance-linked compensation is higher for the higher ranks of directors by compensation type. Within the scope approved at the General Meeting of Shareholders, the Representative Director, who has been authorized by the Board of Directors, makes decisions based on the standards established by the Company after consulting the Nomination and Compensation Advisory Committee. From fiscal 2021, in order to further enhance transparency, the decision process and content will follow the report of the Nomination and Compensation Advisory Committee chaired by an independent outside officer.

(4) Policies and procedures for selecting and dismissing senior management and nominating candidates for directors and audit & supervisory board members

Directors and Audit & Supervisory Board Members have been appointed who have excellent personality and insight and have extensive knowledge and experience in corporate management, etc.

Outside Directors are appointed who can perform management oversight functions from an independent standpoint outside the Company and can provide advice on the Company's corporate activities based on their abundant experience and high knowledge.

In addition, if it is recognized that it does not contribute to the enhancement of corporate value, or if there is an injustice in the execution of duties or a serious violation of laws and regulations from the viewpoint of corporate governance, it will be dismissed, and it will be decided by the Board of Directors after consultation by the Nomination and Compensation Advisory Committee.

(5) For directors and audit & supervisory board members, please refer to the "Reasons for Making

Them Candidates" in the "Notice of Convocation of ordinary general meetings of shareholders" for the reasons for individual candidates.

【Principle 4-1 Roles and Responsibilities of the Board of Directors (1)】

Replenishment principle 4-1①

The Company has established the Matters stipulated by Laws and Regulations, the Articles of Incorporation, and other matters related to important operations as matters to be decided by resolution of the Board of Directors, and the Board of Directors delegates the decision from the Board of Directors to management in accordance with internal rules that clarify the authority to make decisions on other business executions.

【principle 4-9 Independence Criteria and Qualities of Independent Outside Directors】

The Company believes that creating an environment in which independence can be ensured when deciding on outside officers will contribute to maintaining and strengthening corporate governance, and has established standards for the independence of outside officers and discloses them on the Company's website. For details, please refer to P14 "Standards for independence of outside directors and outside audit & supervisory board members at the Company" in the "Notice of Convocation of the 101st Ordinary General Meeting of Shareholders."

【Principle 4-11 Prerequisites for ensuring the effectiveness of the Board of Directors and the Audit & Supervisory Board】

Replenishment principle 4-11①

In order to flexibly respond to changes in the market environment, including globalization, we actively engage in diversity management, etc., and make decisions at the Board of Directors after consultation with the Nomination and Compensation Advisory Committee from the perspective of securing a wide range of human resources with diverse values such as overseas experience and gender, in addition to the background, knowledge, and expertise essential for business development. Please refer to the "Composition of Officers" section of P13 of the "Notice of Convocation of the 101st Ordinary General Meeting of Shareholders" of the Skill Matrix.

Replenishment principle 4-11②

Please refer to the business report and general meeting of shareholders' reference documents in the Notice of Convocation of The General Meeting of Shareholders. In addition, the situation of concurrent employment is to a reasonable extent.

Replenishment principle 4-11③

The Company conducts a questionnaire to evaluate the effectiveness of the Board of Directors by all directors and audit & supervisory board members, and periodically verifies the composition and operation of the Board of Directors and the support system for directors and audit & supervisory board members in order for the Board of Directors to effectively fulfill its roles and responsibilities.

As for the results, it was confirmed that the Board of Directors had been able to ensure the effectiveness of the board of directors, such as free and open discussions and exchange of opinions, and the appropriate provision of information necessary for the execution of duties as directors and audit & supervisory board members. On the other hand, we recognize that there is room for improvement in executive training, timing of distribution of board materials, and information exchange and exchange of opinions between outside officers. Based on the results of this evaluation, we will further improve the effectiveness of the Board of Directors.

【Principle 4-14 Training of Directors and Audit & Supervisory Board Members】

Replenishment principle 4-14②

We support directors to acquire the necessary knowledge and understand their roles and responsibilities, so that they can participate in external courses as appropriate. In addition, new directors and audit & supervisory board members participate in seminars for newly appointed officers to improve the knowledge necessary for officers. In addition to seminars and study sessions held by the Japan Audit & Supervisory Board Members Association, full-time corporate auditors participate in external exchange meetings to acquire necessary knowledge.

In conjunction with these initiatives, we hold in-house seminars as appropriate inviting experts, etc.

【Principle 5-1 Policy on Constructive Dialogue with Shareholders】

The Company's basic policy is to continuously disclose fair, timely and appropriate information to all stakeholders, including shareholders and investors, and aims to gain the company's appropriate evaluation and trust through IR activities.

(1) With regard to dialogues with shareholders and investors, the executive in charge of management supervises and actively takes measures to realize various dialogues, including financial results briefings.

(2) We have established a system in which corporate planning, general affairs, finance, accounting, legal departments, etc. can respond in an organic manner, and exchange opinions based on their respective professional perspectives.

(3) Once every six months, we hold financial results briefings on financial results information, management measures, and management policies. In addition, we have established a contact point for opinions and questions on our website.

(4) The content of dialogue with shareholders and investors is fed back to the Board of Directors, etc. through the officer in charge of management as necessary.

(5) In order to prevent the leakage of financial results information and ensure fairness, the period from the end of each quarter to the announcement of financial results is a quiet period, and during this period, in principle, we refrain from disclosing information related to financial results or commenting on questions. In addition, we have established internal regulations to prevent the leakage of insider information.

Capital Structure

Foreign Shareholding Ratio	20% or more but less than 30%
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[Status of Major Shareholders]

Name/Company Name	Number of Shares Owned (shares)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	8,689,300	13.04
JP MORGAN CHANGE BANK 380055	4,446,984	6.67
Custody Bank of Japan, Ltd. (Trust account)	4,376,400	6.57
CKD Shareholding Association	2,827,833	4.24
SUMITOMO LIFE INSURANCE COMPANY	1,914,000	2.87
CKD Cooperative Companies Investment Association	1,633,510	2.45
THE BANK OF NEW YORK MELLON 140042	1,586,277	2.38
Sumitomo Mitsui Banking Corporation	1,581,257	2.37
The Dai-ichi Life Insurance Company, Limited	1,400,000	2.10
Custody Bank of Japan, Ltd. (Trust account 9)	1,265,413	1.75

Controlling Shareholder (except for Parent Company)	-
Parent Company	None

Supplementary Explanation

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Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange/First Section, Nagoya Stock Exchange/First Section
Fiscal Year-End	March
Type of Business	Machinery
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1,000 persons or more
Net Sales (consolidated) as of the End of the Previous Fiscal Year	¥100 billion or more but less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	10 or more but less than 50 companies

Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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Other Special Circumstances which may have Material Impact on Corporate Governance

There are no listed subsidiaries.

There are no other special circumstances that may have a significant impact on corporate governance.

Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Maximum Number of Directors Stipulated in the Articles of Incorporation	10 persons
Term of Office of Directors Stipulated in the Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	7 persons
Election of External Directors	Elected
Number of External Directors	3 persons
Number of External Directors Designated as Independent Directors	3 persons

External Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Noriko Asai	Academic											
Kazumasa Uemura	Academic											
Stefan Sacré	From another company											

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

- Person executing the operations ("Executing Person") of the Company or its subsidiaries
- Non-executive director or Executing Person of a parent company of the Company
- Executing Person of a fellow subsidiary company of the Company
- A party whose major client or supplier is the Company or an Executing Person thereof
- Major client or supplier of the Company or an Executing Person thereof
- Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/audit & supervisory board member
- Major shareholder of the Company (or an Executing Person of the said major shareholder if the shareholder is a legal entity)
- Executing Person of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- Executing Person of a company, between which and the Company external directors/audit & supervisory board members are mutually appointed (the director himself/herself only)
- Executing Person of a company or organization that receives a donation from the Company (the director himself/herself only)
- Others

External Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Election
Noriko Asai	○	-	<p><Reasons for Election></p> <p>Dr. Noriko Asai appropriately performs her duties as an External Director by making important managerial decisions and overseeing business execution from an independent and impartial standpoint. Furthermore, she has a high level of academic knowledge as a Doctor of Economics and an university professor as well as extensive experience including analyzing management practices in numerous manufacturing plants, and can be expected to oversee all aspects of the Company's operations as well as offer advice and opinions from broad perspectives.</p> <p><Reasons for Designation as an Independent Director></p> <p>The Board of Directors believes that there is no risk of a conflict of interest between Dr. Asai and general shareholders, and has designated her as an Independent Director.</p>
Kazumasa Uemura	○	-	<p><Reasons for Election></p> <p>Dr. Kazumasa Uemura appropriately performs his duties as an External Director by making important managerial decisions and overseeing business execution from an independent and impartial standpoint. Furthermore, he has a high level of academic knowledge of health and healthcare as well as extensive experience including cultivating human resources as a medical doctor and an university professor, and can be expected to oversee all aspects of the Company's operations as well as offer advice and opinions from broad perspectives, including healthy business management.</p> <p><Reasons for Designation as an Independent Director></p> <p>The Board of Directors believes that there is no risk of a conflict of interest between Dr. Uemura and general shareholders, and has designated him as an Independent Director.</p>
Stefan Sacré	○	-	<p><Reasons for Election></p> <p>Dr. Stefan Sacré has a high level of academic knowledge as a Doctor of Engineering and extensive experience as a manager in the manufacturing sector in Japan and overseas, and can be expected to oversee all aspects of the Company's operations as well as offer advice and opinions from broad management perspectives.</p> <p><Reasons for Designation as an Independent Director></p> <p>The Board of Directors believes that there is no risk of a conflict of interest between Dr. Sacré and general shareholders, and has designated him as an Independent Director.</p>

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Voluntary Committee's Name, Composition, and Attributes of Chairperson

	Voluntary Committee Corresponding to Nomination Committee	Voluntary Committee Corresponding to Remuneration Committee
Committee's Name	Nomination, Remuneration Advisory Committee	Nomination, Remuneration Advisory Committee
All Committee Members	3	3
Full-time Members	0	0
Internal Directors	1	1
External Directors	2	2
External Experts	0	0
Other	0	0
Chairperson	External Director	External Director

Supplementary Explanation

The chairperson of the committee is elected by the committee members from among themselves.

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in the Articles of Incorporation	4 persons
Number of Audit & Supervisory Board Members	4 persons

Cooperation among Audit & Supervisory Board Members, Accounting Auditor and Internal Audit Departments

An audit report meeting is held at the end of each fiscal year with the Accounting Auditor and Audit & Supervisory Board Members.

Regular monthly liaison meetings are held with the Audit & Supervisory Board Members, the Internal Control Audit Office, and the officer in charge of internal control.

Appointment of External Audit & Supervisory Board Members	Elected
Number of External Audit & Supervisory Board Members	3 persons
Number of External Audit & Supervisory Board Members Designated as Independent Audit & Supervisory Board Members	3 persons

External Audit & Supervisory Board Members' Relationship with the Company (1)

		Relationship with the Company*												
Name	Attribute	a	b	c	d	e	f	g	h	i	j	k	l	m
Koichi Hayashi	CPA													
Takeshi Sawaizumi	From another company							△						
Shuzo Hashimoto	Attorney-at-law													

* Categories for "Relationship with the Company"

* "○" when the audit & supervisory board member presently falls or has recently fallen under the category;

"△" when the audit & supervisory board member fell under the category in the past

* "●" when a close relative of the audit & supervisory board member presently falls or has recently fallen under the category;

"▲" when a close relative of the audit & supervisory board member fell under the category in the past

- Person executing the operations ("Executing Person") of the Company or its subsidiaries
- Non-executive director or accounting advisor of the Company or its subsidiaries
- Non-executive director or Executing Person of a parent company of the Company
- Audit & supervisory board member of a parent company of the Company
- Executing Person of a fellow subsidiary company of the Company
- A party whose major client or supplier is the Company or an Executing Person thereof
- Major client or supplier of the Company or an Executing Person thereof
- Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an audit & supervisory board member
- Major shareholder of the Company (or an Executing Person of the said major shareholder if the shareholder is a legal entity)
- Executing Person of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the audit & supervisory board member himself/herself only)
- Executing Person of a company, between which and the Company external directors/audit & supervisory board member are mutually appointed (the audit & supervisory board member himself/herself only)
- Executing Person of a company or organization that receives a donation from the Company (the audit & supervisory board member himself/herself only)
- Others

External Audit & Supervisory Board Members' Relationship with the Company (2)

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons for Election
Koichi Hayashi	○	-	<p><Reasons for Election> Mr. Koichi Hayashi has professional knowledge and experience as a certified public accountant. The Company believes that he will appropriately perform his duties as an External Audit & Supervisory Board Member.</p> <p><Reasons for Designation as an Independent Audit & Supervisory Board Member> Although he concurrently holds a position as an Executing Person at another company, there is no business relationship between that company and the Company. Therefore, the Company believes that there is no risk of a conflict of interest between him and general shareholders, and has designated him as an Independent Audit & Supervisory Board Member.</p>
Takeshi Sawaizumi	○	Mr. Takeshi Sawaizumi is a former employee of Sumitomo Mitsui Banking Corporation, which is a major business partner of the Company, and although the Company has loans from this bank, approximately 18 years have passed since he retired from the bank, and he is not in a position to be influenced by the bank's intentions. Furthermore, the Company has transactions with a number of financial institutions and the bank holds approximately 2% of the Company's shares, so we are not particularly dependent on the bank.	<p><Reasons for Election> Mr. Takeshi Sawaizumi has extensive experience and insight as a corporate executive. The Company believes that he will appropriately perform his duties as an External Audit & Supervisory Board Member.</p> <p><Reasons for Designation as an Independent Audit & Supervisory Board Member> The Company believes that there is no risk of a conflict of interest between him and general shareholders, and has designated him as an Independent Audit & Supervisory Board Member.</p>
Shuzo Hashimoto	○		<p><Reasons for Election> Mr. Shuzo Hashimoto has extensive experience and professional expertise as an attorney-at-law. The Company believes that he will appropriately perform his duties as an External Audit & Supervisory Board Member.</p> <p><Reasons for Designation as an Independent Audit & Supervisory Board Member> The Company believes that there is no risk of a conflict of interest between him and general shareholders, and has designated him as an Independent Audit & Supervisory Board Member.</p>

[Independent Directors/Audit & Supervisory Board Members]

Number of Independent Directors/Audit & Supervisory Board Members	6 persons
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[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration / Other
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Supplementary Explanation

The Company has introduced a restricted stock remuneration plan.

Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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Supplementary Explanation

The total amount of remuneration for Directors is disclosed in the annual securities report and business report.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

[Policy on determining the remuneration for Directors]

1. Basic Policy

- (i) Design the system to motivate officers to contribute to the enhancement of corporate value
- (ii) Ensure the appropriateness of the method for determining the remuneration and distribution
- (iii) Design the system to allow officers to share the interests with shareholders through stock ownership

2. Determination process and details

Remuneration for Directors consists of basic remuneration, performance-linked remuneration, and stock remuneration, while External Directors who are responsible for the oversight function, are paid only basic remuneration, in light of their role.

In addition, the ratio of Directors' remuneration by type is designed so that the higher a person's position, the greater the proportion of performance-linked remuneration. Remuneration for Directors is determined following consultation with the Nomination, Remuneration Advisory Committee, by the Representative Director who is authorized by the Board of Directors, within the range approved by the General Meeting of Shareholders and in accordance with standards established by the Company. From fiscal 2021, to further increase transparency, the determination process and details shall be in accordance with a recommendation from the Nomination, Remuneration Advisory Committee, which is chaired by an independent External Director.

[Types of remuneration (composition ratio)]

- Basic remuneration (about 30 to 70%) (Note)

The amount is fixed by position according to responsibilities determined upon comprehensive consideration while referring to the levels of employee's salaries and remuneration levels at other companies.

- Performance-linked remuneration (about 20 to 40%) (Note)

To raise awareness on improving performance each year, performance-linked remuneration shall be paid in cash in an amount reflecting the results of the performance indicator in the previous fiscal year. The target performance indicator and its amount shall be consulted with the Nomination, Remuneration Advisory Committee as necessary in accordance with changes in the environment and shall be reviewed based on its recommendations. Officers other than those with titles are eligible for bonuses, to be paid at a certain time each year in an amount obtained reflecting the degree of targets achieved for each individual.

- Restricted stock remuneration (about 5 to 20%) (Note)

Restricted stock remuneration shall consist of restricted stock intended to further raise motivation to contribute to sustainably improving corporate value and shareholder value over the medium to long term within the range approved at the General Meeting of Shareholders. The number of shares to be granted to Directors shall be resolved in advance at a Board of Directors meeting. The restrictions on shares shall be lifted when the Director retires.

Note: If there is a pronounced decline in performance, performance-linked remuneration and stock remuneration may fall below the stated range. Therefore, basic remuneration may surpass the stated range.

[Supporting System for External Directors and/or Audit & Supervisory Board Members]

The Company has established a Board of Directors Secretariat which distributes materials concerning the agenda and reports for a Board of Directors meeting to all officers including External Directors and External Audit & Supervisory Board Members beforehand, provides supplementary explanation as necessary, and relays any other information. In addition, the Secretariat transmits information to officers as necessary on important matters not limited to the regular Board of Directors meeting.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

(1) Overview of the current system

- a) In principle, the Board of Directors is held at least once a month, and the Management Conference composed mainly of officers is held as needed, to facilitate rapid management decision-making. The Company recognizes that rapid management decision-making is one of the most important issues for responding to rapid changes in the business environment and continuously increasing corporate value. The Board of Directors is positioned as an organization that decides on the basic management policies and important management matters, in addition to matters required by laws and regulations.
- b) The Company has adopted an Audit & Supervisory Board Members system and the Audit & Supervisory Board consists of four Audit & Supervisory Board Members, including three External Audit & Supervisory Board Members. Each Audit & Supervisory Board Member audits the execution of duties by the Directors by attending meetings of the Board of Directors and other important meetings, and by examining the status of operations and assets, in accordance with the audit policy and audit plan formulated by the Audit & Supervisory Board. Audit &

Supervisory Board Members cooperate with the Internal Control Office and the Accounting Auditor by exchanging information regularly and as necessary.

- c) At the Monthly Business Review, which is held monthly with the participation of officers and division heads, information is shared and reflected in management decisions by discussing management issues in each business division, analyzing the business environment, and reporting on the progress of business plans.
 - d) Accounting audits are conducted under an audit contract with Deloitte Touche Tohmatsu LLC for audits under the Companies Act and the Financial Instruments and Exchange Act. The Company requests accounting audits that are fair and unbiased.
 - e) The Company established the Nomination, Remuneration Advisory Committee as a voluntary advisory body to the Board of Directors on April 27, 2018. The purpose of establishing the Nomination, Remuneration Advisory Committee is to ensure objectivity and transparency in the determination process for matters such as the nomination of Directors and Audit & Supervisory Board Members and the remuneration, etc. for Directors and to further enhance the corporate governance system. The Committee has a total of three members consisting of two External Directors who are independent officers and one Representative Director, and is chaired by an External Director who is an independent officer selected from among the members themselves.
- (2) Efforts to strengthen the functions of Audit & Supervisory Board Members
- Audit & Supervisory Board Members cooperate with the Internal Control Audit Office, the officer in charge of internal control and the Accounting Auditor by exchanging information regularly and as necessary.

3. Reasons for Adoption of Current Corporate Governance System

Of the seven Directors, three are External Directors, and of the four Audit & Supervisory Board Members, three are External Audit & Supervisory Board Members. All six External Officers are independent officers, and the Company believes that the system is fully capable of providing supervision from an objective standpoint. The six independent External Officers elected include two former corporate officers, an attorney-at-law, a certified public accountant, and two university professors, and the Company believes that there is a system in place where advice and oversight are expected to be provided based on specialized knowledge and experience of each officer.

Please refer to the attached diagram for the details of the business execution and audit/oversight system.

Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Meeting of Shareholders and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of Annual General Meeting of Shareholders	The Notice of the General Meeting of Shareholders is sent out at least three weeks prior to the holding of the Annual General Meeting of Shareholders. The notice is posted on the Company's website and on the voting rights exercise platform of ICJ, Inc. two days prior to the sending date.
Scheduling Annual General Meeting of Shareholders Avoiding the Peak Day	The Annual General Meeting of Shareholders is held on a date that avoids the peak day on which general meetings of shareholders of other companies are concentrated.
Allowing Electronic Exercise of Voting Rights	The Company uses an Internet-based voting system and voting rights can be exercised by PC, mobile phone and smartphone.
Participation in Electronic Voting Platform and Other Measures to Improve the Environment for Exercise of Voting Rights by Institutional Investors	The Company participates in the voting rights exercise platform for institutional investors operated by ICJ, Inc.
Providing Convocation Notice (abridged) in English	An English notice is prepared and posted on the Company's website and on the voting rights exercise platform of ICJ, Inc. prior to the sending date.

2. IR Activities

	Supplementary Explanations	Explanation by the Representative Directors in person
Preparation and Publication of Disclosure Policy	The Company's Basic IR Policy is posted on the Company's website in both Japanese and English.	-
Regular Investor Briefings for Individual Investors	-	-
Regular Investor Briefings for Analysts and Institutional Investors	Financial results briefings are held after the announcement of financial results each quarter at a venue in Tokyo or remotely online. The Company also participates in conferences organized by brokerage firms and also holds individual meetings and remote online meetings as requested.	Yes

Regular Investor Briefings for Overseas Investors	The Company participates in conferences organized by brokerage firms and also holds individual meetings and remote online meetings as requested.	Yes
Posting of IR Materials on the Company's website	Financial results ("Kessan Tanshin"), financial results briefing materials, annual securities reports, press releases, integrated reports, etc. are posted on the Company's website.	-
Establishment of Department and/or Person in Charge of IR	Investor Relations Office, Corporate Planning Department	-
Other		

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Provisions in Internal Regulations Concerning Respect for the Standpoint of Stakeholders	The Conduct Guidelines stipulates that the Company values its relationship with all its stakeholders, fulfills its corporate responsibilities through its business activities, and contributes to society.
Implementation of Environmental Preservation Activities, CSR Activities, etc.	<p>The Company will further strengthen its initiatives for the environment with the establishment of the Sustainability Committee, chaired by the President, and the Sustainability Promotion Department, as a division to promote SDGs, effective April 1, 2021.</p> <p>Activities mainly comprise the development and sales promotion of low environmental load products, the reduction of environmental pollutants, and the promotion of energy and resource saving.</p> <p>The Company developed the HP Series of high durability components and the NS Series of nitrogen gas extraction units as low environmental load products and received the Golden Prize, the highest ranking environment award, of the AICHI Environmental Award in February 2021. In addition, as renewable energy initiatives, the Company has installed solar power generation systems. The systems commenced operations at the Thai Plant in June 2019 and the Head Office/Komaki Plant in July 2020 as well as at the China Plant in November 2020.</p> <p>Going forward, the Company will promote systematic installation at domestic and overseas plants as part of its proactive efforts to reduce CO₂ and preserve the environment.</p>
Formulation of Policies, etc. Relating to the Provision of Information to Stakeholders	The Company has formulated the Basic IR Policy and aims to achieve sustainable growth and increase its corporate value in the medium-to-long term as it actively maintains constructive dialogue with shareholders and investors. The Company

	endeavors to make timely, appropriate, and fair information disclosure and to be a corporation that is trusted.
Other	<p>The Company upholds “Corporate Culture with Faith in Human Resources” as part of its Corporate Commitment, and positions human resources as important assets since they are important management resources for the sustainable development and growth of a company. Recently the Company revised its long-term management vision “10-Year VISION” and incorporated “Building a Corporate Culture with Faith in Human Resources” into the basic policy so that it leads to growth that overcomes major changes in society. The Company believes that human resources are the most important assets for better managing a company. In addition to next-generation leaders and global human resources, the Company will also develop personnel with digital fluency systematically, create an environment where every employee can play an active role with a focus on building a workplace that enhances employee engagement. The Company promotes diversity to utilize various human resources regardless of gender, nationality or age.</p>

Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of its Development

The Company has established the following basic policies on systems to ensure the appropriateness of operations.

1. System to ensure compliance with laws and regulations and the Articles of Incorporation in the execution of duties of Directors and employees
 - a. The Company shall establish Conduct Guidelines to fulfill its corporate social responsibility and establish rules and regulations regarding related laws and regulations to ensure compliance thoroughly.
 - b. The Company shall not have any relationship with antisocial forces and it will take a firm stand against them as an organization.
 - c. The Company establishes a reporting contact point and put in place a system to prevent and correct violations of laws and regulations.
 - d. The Nomination, Remuneration Advisory Committee has been established to consider important matters related to the nomination of officers and the compensation for Directors, and to report on the results to the Board of Directors.
2. System for retention and management of information concerning the execution of duties by Directors
Information concerning the execution of duties by Directors, including documents for obtaining approval of management and minutes of various meetings shall be stored and managed appropriately in accordance with laws and regulations and internal rules to ensure that the execution of duties by Directors is conducted appropriately.
3. Rules and other systems pertaining to risk management
Regarding risk management, awareness of legal compliance among all employees shall be raised and the risk management departments within each business division shall work in close cooperation to ensure compliance thoroughly, with the risk management departments at headquarters that handles company-wide risk management (General Affairs Department, Digital Strategy Department and Internal Control Audit Office) playing a central role.
In addition, the Risk Management Committee, established under the Board of Directors as an organization that manages risks company-wide, deliberates and decides on matters related to the development of company-wide risk management in order to respond accurately and promptly to increasingly complex risks.
4. System to ensure that Directors execute their duties efficiently
In principle, the Board of Directors is held at least once a month, and the Management Conference mainly composed of officers is held as needed, to facilitate rapid management decision-making.
Regarding management issues in each business division, Monthly Business Review is held with the attendance of officers and division heads to share information and reflect it in management decisions, through analyzing the business environment and reporting on the progress of the performance plan.
An executive officer system has been introduced to separate the business execution functions from the management decision-making and supervisory functions conventionally held by the Board of Directors and reduce the number of Directors to ensure accurate and prompt decision-making and to execute business operations flexibly by delegating authority over business execution to Executive Officers and clarifying responsibilities.

5. System to ensure the appropriateness of business in a corporate group comprising the Company and its subsidiaries
- In addition to establishing approval rules for the execution of operations by subsidiaries, the Company shall establish a system to ensure that important management matters of subsidiaries shall be approved in advance by the Company or reported to the Company in accordance with internal regulations.
 - The scope of the Conduct Guidelines and the risk management system shall include subsidiaries to ensure that the operations of the Group as a whole are appropriate.
 - The Company shall ensure that its subsidiaries are fully aware of the Company's corporate commitment and ensure the appropriateness of their operations. In addition, the Company shall establish regulations for the control of subsidiaries both in and outside of Japan to promote efficiency in the management of its subsidiaries.
 - In addition to establishing Conduct Guidelines applicable to the Group as a whole, the Company shall properly understand the actual conditions of its subsidiaries and provide necessary advice and guidance to ensure compliance thoroughly.

6. Matters related to employees who are requested by Audit & Supervisory Board Members to assist in their duties, matters related to the independence of such employees from Directors, and matters related to ensuring the effectiveness of instructions to such employees.

Whenever necessary, the Company shall appoint a dedicated employee to assist the Audit & Supervisory Board Members in their duties and authorize that employee to conduct investigations at the direction of the Audit & Supervisory Board Members. In such cases, Directors and Audit & Supervisory Board Members shall discuss the personnel matters in advance.

7. Systems for reporting to Audit & Supervisory Board Members by Directors and employees of the Company and its subsidiaries, and other systems for reporting to Audit & Supervisory Board Members, and systems to ensure that no disadvantageous treatment is received on account of such reporting

Directors and employees of the Company and its subsidiaries shall provide necessary reports and information upon request of Audit & Supervisory Board Members in accordance with laws and regulations and provisions as stipulated by the Audit & Supervisory Board.

The main types of reports and information to be provided are as follows:

- Status of management and execution of business
- Status of activities of the divisions involved in the development of the Group's internal control system
- Status of activities of the Audit & Supervisory Board Members and internal audit departments of the Group's subsidiaries and other entities
- Significant accounting policies and accounting standards of the Group and changes in these matters
- Details of announcements of business results and forecasts, and details of important disclosure documents

In addition, no disadvantageous treatment shall be given to any employee on account of reporting or providing information to Audit & Supervisory Board Members.

8. Other systems to ensure that audits by Audit & Supervisory Board Members are conducted effectively
- In order to improve the effectiveness of the Group's auditing system, the Internal Control Audit Office has been established, and opportunities for Audit & Supervisory Board Members, the Accounting Auditor and the

Internal Control Audit Office to exchange information are secured. In addition, Audit & Supervisory Board Members may consult with external experts in the fields of law, accounting, etc., as necessary, and the Company bears the cost of such consultations.

2. Basic Views on Eliminating Antisocial Forces and the Progress of its Development

The Conduct Guidelines formulated in internal regulations stipulates that the Company shall not have any relationship with antisocial forces and shall reject any unreasonable inducement or coercion, and the Conduct Guidelines Manual is distributed to all employees to ensure that they are fully aware of the Guidelines. The General Affairs Department oversees the response to antisocial forces and works in close cooperation with the police, corporate defense measures councils, attorneys, and other external specialist organizations. In addition, the Company has concluded a memorandum of understanding with its suppliers regarding the elimination of antisocial forces and it has taken measures to eliminate any relationship with antisocial forces thoroughly.

Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted
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Supplementary Explanation

2. Other Matters Concerning Corporate Governance System

<Overview of the timely disclosure system>

1. Timely disclosure policy

The Company is fully aware that timely and appropriate disclosure of corporate information to investors forms the basis of a sound securities market, and it provides timely and appropriate corporate information to investors through means such as enhancing its internal systems to ensure that corporate information is appropriately disclosed in a prompt, accurate, and fair manner from an investor's perspective at all times.

2. Internal system for information disclosure

The Company's internal system for timely disclosure is as follows:

The contents of disclosures are posted on the Tokyo Stock Exchange's TDnet, as well as on the Company's website (including news and updates).

(1) Decisions

In principle, decisions requiring disclosure are resolved by the Board of Directors. The General Affairs Department (the person responsible for handling information) consolidates the matters submitted to the Board of Directors, considers the content, timing, method, etc. of disclosure, and promptly discloses the information after a resolution by the Board of Directors.

(2) Facts

The Information Disclosure Committee considers the content, timing, method, etc. of disclosure of facts requiring disclosure, and the information shall be disclosed promptly upon approval of the President.

(3) Financial settlement information

In principle, financial settlement information is resolved by the Board of Directors. The Accounting Department prepares disclosure materials and promptly discloses the information after the resolution by the Board of Directors.

Corporate Governance System Diagram

