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## CORPORATE GOVERNANCE

Last updated: June 28, 2024

### **Kanaden Corporation**

Nobuyuki Motohashi, President (Representative Director)

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Securities Code: 8081

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

The status of the Company's corporate governance is as described below.

### **I. Basic Viewpoint Concerning Corporate Governance, and Capital Structure, Corporate Attributes and Other Basic Information**

#### **I. 1. Basic Viewpoint**

The Company is working to enhance its corporate governance system based on the recognition that one of the most important management issues is strengthening corporate governance as a basis for the KANADEN Group to realize sustainable growth and increase its corporate value over the medium- to long-term, and to fulfill its responsibilities to its diverse stakeholders.

#### **[Reasons why the Company does not enforce the Principles of the Corporate Governance Code]**

The Company continues to take initiatives on corporate governance based on the Basic Viewpoint described above and is in compliance with each of the items of the Corporate Governance Code. Therefore, the Company recognizes that there is no item to be stated here.

#### **[Disclosure Based on the Principles of the Corporate Governance Code]**

[Principle 1-4 Cross-shareholdings]

##### **(1) Policy on cross-shareholdings of listed companies**

The Company has been reducing its cross-shareholdings based on the principle that it does not hold shares that do not make sense to hold, after verifying the necessity for business operations and appropriateness of its holdings according to the status of transactions and other factors, and examining, on an annual basis, the significance of its holdings by comprehensively taking into account the risks, capital costs and other factors.

Information on the number of shares and balance sheet amounts of specified investment stocks by issue is included in the Securities Report.

## Securities Report

<https://www.kanaden.co.jp/ir/library/securities-report/>

### (2) Standards for exercising voting rights for shares held

The Company exercises its voting rights based on a comprehensive judgment of the reasonableness of the proposals made by the company whose shares it holds from the perspective of enhancing corporate value.

#### [Principle 1-7 Related Party Transactions]

In the Rules for the Board of Directors, it is provided that competing and conflict-of-interest transactions by Directors are matters to be resolved by the Board of Directors.

In addition, the Company periodically investigates the existence of transactions between related parties, such as Directors and their close relatives, and the Company.

In transactions with major shareholders and others, the Company appropriately determines prices and other terms and conditions for net sales, purchases and purchase discounts after negotiations with reference to actual market conditions.

#### [Supplementary Principle 2-4-1 Ensuring Diversity within the Company, Including Promotion of Active Participation by Women]

The Company conducts hiring, personnel development and appointment to key positions in accordance with its Human Resource Policy. The Human Resource Policy, human resource development, and workplace environment initiatives are disclosed on the Company website.

<https://www.kanaden.co.jp/sustainability/esg/social/>

#### Percentage of women in managerial positions and their appointment (promotion of active participation by female employees)

As of April 2024, the percentage of women in managerial positions in the Company is currently 0.8%. The Company is working to reform its human resource system and improve the work environment with the goal of increasing the percentage of women in managerial positions to 10% by April 2030.

In addition, as part of the initiatives toward increasing the percentage of women in managerial positions, the Company sets out in its General Employer Action Plan a goal to increase female employees who are candidates for managerial positions by 30% over a period of two years from April 1, 2024 to March 31, 2026 and is working on abolishing the job group system while enhancing the training system.

#### Percentage of foreign nationals in managerial positions and their appointment

Although there are currently no foreign nationals in managerial positions in the Company as of April 2024, the Company treats them fairly without discriminating on the basis of nationality when recruiting and appointing them to management positions. In order to further strengthen its competitiveness in an increasingly globalized business environment, the Company places a high priority on recruiting and developing global human resources.

#### Percentage of mid-career hires in managerial positions and their appointment

As of April 2024, the percentage of mid-career hires in managerial positions in the Company is 9.5%.

Two of the seven Executive Officers are mid-career hires. (As of July 1, 2024)

The Company will continue to actively recruit and appoint personnel with diverse experience and perspectives.

[Principle 2-6 Fulfillment of Functions of Corporate Pension Funds as Asset Owners]

The Company has mainly introduced a defined benefit corporate pension plan. Although the Company is not directly involved in the investment activities of the corporate pension fund in its capacity as an asset owner, the Company entrusts trust banks and others, which are operational management institutions, with managing the fund in accordance with the basic investment policy of the Company, and the Administration Division regularly monitors the investment performance, etc. appropriately.

[Principle 3-1 Enhancement of Information Disclosure]

(1) Company objectives (e.g., management philosophy), business strategies and business plans

Corporate Philosophy

The KANADEN Group has established the following mission and vision as its corporate philosophy:

Mission (raison d'être): Opening the Future with Technology and Ingenuity

We will lead the way to a better future with solutions that combine the technology and ingenuity of the KANADEN Group and its partner companies.

Vision (ideal state): Creating New Value for Society

We will develop business activities as a group that constantly creates new value for our customers, partner companies, and ultimately society.

Corporate Philosophy

<https://www.kanaden.co.jp/corporate/philosophy/>

Action to Implement Management That Is Conscious of Cost of Capital and Stock Price (With English Disclosure)

The KANADEN Group is promoting the basic strategy of its Medium-term Management Plan, "Electronics Solutions • Company 2025 (ES • C2025)," ending in FY2025, aiming to become an "Electronics Solutions Company" that contributes to solving social issues and realizes sustainable growth through SDG initiatives.

Under ES • C2025, the Company has set numerical targets of achieving operating profit of 5.7 billion yen, an operating profit ratio of 4.5% or more, an ROE of 8.0% or more, and net sales of 10 billion yen from strategic investments, etc., with the aim of strengthening profitability and improving capital efficiency.

Medium-term Management Plan

<https://www.kanaden.co.jp/ir/plan/>

The price to book ratio (PBR) of the Company has remained below 1.0. Since there is a certain correlation between the Company's stock price and ROE, the Company believes that strengthening profitability and improving capital efficiency, as well as improving ROE will improve PBR.

In order to achieve an ROE of 8.0% or more, which is the target value of the current Medium-term Management Plan, and to achieve and maintain an ROE in excess of the cost of capital, the Company will implement growth strategies through proactive investments.

In addition, to further promote return to shareholders, we raised the dividend payout ratio, which is the benchmark of the dividend policy, from 35% to 40%. The Company will continue to conduct strategic investments

and review its business portfolio with an eye to the cost of capital.

To achieve sustainable growth, we are making investments to expand various capital sources of value creation for the KANADEN Group. As for investment in human capital, we revised the personnel system to create a system and climate in which diverse human resources can fully demonstrate their abilities. From now on we will further strengthen the securing and development of human resources through reviewing the education system and active mid-career recruitment and other measures. As for investment in intellectual capital, we are focusing on digital transformation (DX), including the introduction of Sales Force Automation and Customer Relation Management and the renewal of ERP systems. We will create new business models and expand our business domain by effectively utilizing customer and partner company information, know-how, and technical information, which were previously held by individual departments and individuals, by accumulating, sharing, and analyzing such information on the system. As for investment in social capital, we made JAPAN CONTROL ENGINEERING Co., Ltd., which has strengths in power control systems, a subsidiary in December 2023, with a view to strengthening our technical capabilities. We will aggressively execute investment to expand the group network through M&A and to create and evolve new businesses through collaboration with business partners.

In addition, as customer issues become more diverse and complex, the roles required of the KANADEN Group are changing, and we recognize that in order to continue to grow in the future, it is important to enhance profitability by strengthening cross-selling among segments and appealing new value that we have not been able to offer in the past. We will steadily grow new business opportunities into the next core business by optimizing capital investment and organizational restructuring in accordance with the business life cycle.

In addition, to ensure that the efforts to enhance the corporate value of the KANADEN Group are appropriately recognized, the Company will work to enhance direct communication with institutional and individual investors, such as by holding briefing sessions, and to raise awareness by providing more information on the Company website.

## (2) Basic viewpoint and policies on corporate governance

Please refer to “I. 1. Basic Viewpoint” in “I. Basic Viewpoint Concerning Corporate Governance, and Capital Structure, Corporate Attributes and Other Basic Information.”

## (3) Policies for determining executive remuneration, etc.

Please refer to II Business Management Organization and Other Corporate Governance Systems Concerning Management Decision-Making, Execution and Supervision, 1. Matters Concerning Institutional Structure, Organizational Management and Others [Director remuneration] “Information disclosed on policies for determining the amount of remuneration and the calculation method thereof.”

## (4) Policies and Procedures for nominating and appointing Directors and Audit & Supervisory Board Members

The Company comprehensively assesses whether a person has the personality, insights and business and professional experience appropriate for supervising management. The Company nominates candidates for Directors after consultation with the Nomination and Compensation Advisory Committee, and nominates candidates for Audit & Supervisory Board Members after obtaining the approval of the Audit & Supervisory Board.

In addition, the Nomination and Compensation Advisory Committee comprehensively assesses whether a person has the personality, insights and business and professional experience appropriate for serving as the head of an operating division, and appoints persons with sufficient ability as Executive Officers.

## (5) Reasons for nominating and appointing Directors and Audit & Supervisory Board Members

The background and reasons for appointing Directors and Audit & Supervisory Board Members are disclosed in the “Notice of General Meeting of Shareholders.”

Notice of General Meeting of Shareholders

<https://www.kanaden.co.jp/ir/stocks/meeting/>

[Supplementary Principle 3-1-3 Disclosure of Sustainability]

The Company recognizes Environment (E), Society (S) and Governance (G) as key management issues and engages in various initiatives under its Sustainability Policy.

Sustainability Policy

We will be highly mindful of and practice sustainability in all of our corporate activities, with the goal of realizing a sustainable society and increasing our corporate value as an electronics solutions company.

i. We will work to resolve social and environmental issues through actions towards the achievement of the Sustainable Development Goals (SDGs) and through this achieve sustainable growth.

We will ubiquitize energy efficient devices and expand the renewable energy business to help achieve a low-carbon emission, recycling-oriented society.

We will contribute to the development of a safe and secure society through the social infrastructure business and the provision of solutions that monitor, prevent and mitigate natural disasters.

ii. We will implement fair and impartial management to earn the trust of society.

We will live up to the trust and expectations of all stakeholders through proper communication.

We will observe laws and regulations and respect social norms as we conduct conscientious corporate activities.

To strengthen its sustainability efforts, the Company established a Sustainability Committee chaired by the representative director. The committee holds regular meetings to assist the Board of Directors in making appropriate decisions and providing proper oversight with regard to sustainability. Members conduct research on sustainability to deepen their insight, and the results of the committee’s intensive deliberations are reported to the Board of Directors.

Recognizing that the issue of climate change is a top priority, the Committee will also consider disclosure in line with the TCFD framework.

Details of the efforts are disclosed in the Securities Report and on the Company website.

Securities Report

<https://www.kanaden.co.jp/ir/library/securities-report/>

Sustainability Initiatives

<https://www.kanaden.co.jp/sustainability/>

Human Capital Initiatives

<https://www.kanaden.co.jp/sustainability/esg/social/>

In addition, as a trading company, the Company has an extremely small number of items of intellectual property that are protected by patent law and other laws. However, it is essential for the Company to further develop its technologies and know-how, which have been cultivated over many years, in order to pursue sustainability, and

the Company considers such matters to be intellectual property and intangible assets that are a source of its competitiveness. The Company works to further strengthen its competitiveness by digitizing and utilizing data through KANADEN DX, which the Company is currently working on.

[Supplementary Principle 4-1-1 Matters to Be Decided by the Board of Directors, etc.]

In addition to what is provided for in laws and regulations and the Articles of Incorporation, matters concerning decision-making on the execution of important business and others are stipulated in the Rules for the Board of Directors. The Company has introduced an Executive Officer system, whereby the Company entrusts Executive Officers with the execution of business as the heads of operating divisions, in accordance with the Rules for Administrative Authority. In addition, the Board of Executive Officers, which is composed of Directors and Executive Officers, regularly meets once a month to request reports on the details of business operations so that management decision-making is accurately reflected in operating divisions.

[Principle 4-9 Criteria for Independence of Independent Outside Directors]

The Company expects Outside Directors to supervise its management from a high-level perspective backed by their experience, and the basic policy is to comprehensively assess whether they have the personality, insights, and business and professional experience appropriate for said role, and to nominate candidates who are sufficiently capable and independent and have no potential conflicts of interest with general shareholders.

In addition, the Independence Criteria for Independent Outside Directors are the same as the requirements for independent officers under the rules of the Tokyo Stock Exchange, and the Company believes that sufficient independence can be ensured.

[Principle 4-10-1 Use of Voluntary Mechanisms]

Overview of the Nomination and Compensation Advisory Committee

[Objective]

In FY2018, the Company established the Nomination and Compensation Advisory Committee to further enhance corporate governance by enhancing the fairness, transparency and objectivity of the procedures relating to the nomination of Directors and Executive Officers and the remuneration, etc. for Directors.

[Structure]

In order to ensure independence and neutrality, the Committee is chaired by an Independent Outside Director, and the majority of its members are appointed from among Outside Directors. The Committee consists of four members: three Outside Directors (Chairperson: Yoshiro Nagashima, Committee Members: Yayoi Ito, Tomoe Imado) and one Inside Director (Committee Member: Hironori Saigusa).

[Status of activities]

The Committee discusses and makes recommendations on the appointment and dismissal of Directors and Executive Officers, formulation of a succession plan and the remuneration, etc. for Directors based on consultation with the Board of Directors or the Representative Director.

Attendance of members of the Nomination and Compensation Advisory Committee at the meetings held in FY2023

Name	Attendance
Yoshiro Nagashima (Outside Director)	Attended six out of six meetings
Yayoi Ito (Outside Director)	Attended six out of six meetings
Tomoe Imado (Outside Director)	Attended six out of six meetings
Hironori Saigusa (Inside Director)	Attended six out of six meetings

[Supplementary Principle 4-11-1 Views on the Balance of Knowledge, Experience and Abilities, Diversity and Size of the Board of Directors as a Whole]

The Board of Directors consists of eight Directors, including three Outside Directors, to ensure swift and accurate management decisions.

As a general rule, candidates for Directors are selected from among Executive Officers who possess the knowledge and capability to make comprehensive judgements based on business experience gained in operating divisions and corporate divisions, taking into account the balance of the Board of Directors as a whole, and the Company recommends candidates after consulting the Nomination and Compensation Advisory Committee.

Candidates for Outside Directors should be those who have experience in management at other companies, as well as those who possess a high level of knowledge that contributes to corporate management, including finance, legal affairs and ICT.

The major professional experience of each Director is disclosed in the “Notice of General Meeting of Shareholders” and the Annual Report.

Notice of General Meeting of Shareholders

<https://www.kanaden.co.jp/ir/stocks/meeting/>

Annual Report

<https://www.kanaden.co.jp/ir/libr>

[Supplementary Principle 4-11-2 Concurrent Positions Held by Directors and Executive Officers at Other Listed Companies]

The status of significant concurrent positions held by Directors is disclosed annually in the Notice of General Meeting of Shareholders and such.

Notice of General Meeting of Shareholders

<https://www.kanaden.co.jp/ir/stocks/meeting/>

[Supplementary Principle 4-11-3 Analysis and Evaluation of the Effectiveness of the Board of Directors]

The Chairperson of the Board of Directors conducts a written survey of each Director and Audit & Supervisory Board Member regarding the effectiveness of the Board of Directors, and the Board of Directors discusses and reviews the findings, which are disclosed on the Company website.

Governance

<https://www.kanaden.co.jp/sustainability/esg/governance/>

With respect to a lack of succession plans and discussions on overall sustainability recognized in the effectiveness evaluation in FY2023, the Company has been formulating succession plans and promoting increasingly concrete discussions by the Sustainability Committee.

We will continue to deepen discussions by the Board of Directors on issues addressed, through advancing collaboration with each of the committees.

[Supplementary Principle 4-14-2 Policies for Training for Directors and Executive Officers]

The Company provides compliance education and training for Directors and Audit & Supervisory Board Members

so that they can appropriately fulfill their roles and responsibilities.

In addition, the Company provides training to Executive Officers, who are candidates for Directors, on the roles, responsibilities and responses, etc. required of senior management.

[Supplementary Principle 5-1 Policies for Constructive Dialogue with Shareholders]

The Company's basic policy is to accurately disclose management information, such as the financial condition and status of its business activities, to shareholders and investors, clearly communicate its corporate philosophy and management policy, and take seriously any opinions or criticisms that may arise from such information.

Under this basic policy, the Company appoints an Executive Officer (Administration Division) as the person in charge of dialogue with shareholders and investors, and the Administration Division as the division in charge.

In addition to dialogue with individual shareholders and investors, the Company holds financial results briefings for institutional investors twice a year and several company briefings for individual investors, as well as conducts annual shareholder surveys to obtain a wide range of opinions and proposals from shareholders and reflect them in its business and investor relation activities.

The Company strictly manages insider information in its dialogue with shareholders and investors and in information disclosure.

## I. 2. Capital Structure

Shareholding ratio of foreigners	10% or more but less than 20%
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### [Major shareholders]

Name	Number of shares held (shares)	Percentage (%)
Mitsubishi Electric Corporation	4,720,000	20.12
Kanaden Corporation Client Stock Ownership Association	2,915,000	12.43
The Master Trust Bank of Japan, Ltd. (trust account)	1,724,900	7.35
Kanaden Corporation Employee Stock Ownership Association	923,141	3.94
Mitsubishi Logistics Corporation	656,329	2.80
Meiji Yasuda Life Insurance Company	600,922	2.56
BBH BOSTON FOR NOMURA JAPAN SMALLER CAPITALIZATION FUND 620065	510,600	2.18
Custody Bank of Japan, Ltd. (trust account)	468,200	2.00
Tokio Marine & Nichido Fire Insurance Co., Ltd.	455,654	1.94
DFA INTL SMALL CAP VALLUE PORTFOLIO	340,900	1.45

Controlling shareholder (except for the parent company)	—
Parent company	None

Supplementary explanation

Note) The shareholding ratio is calculated after deducting treasury shares (145,632 shares).



### I. 3. Corporate Attributes

Listed exchange and market category	Tokyo Prime
Fiscal year-end	March
Industry	Wholesale
Number of employees (consolidated) as of the end of the previous fiscal year	500 employees or more but less than 1000 employees
Net sales (consolidated) as of the end of the previous fiscal year	100 billion yen or more but less than 1 trillion yen
Number of consolidated subsidiaries as of the end of the previous fiscal year	10 companies or more but less than 50 companies

### I. 4. Guidelines on Measures to Protect Minority Shareholders in Conducting Transactions, etc. with Controlling Shareholders

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### I. 5. Other Special Circumstances That May Have a Material Impact on Corporate Governance

Mitsubishi Electric Corporation, which is the Company's "other" affiliate, holds 20.12% of the Company's shares, and the Company is Mitsubishi Electric Corporation's affiliate accounted for by the equity method. The Company invites one Audit & Supervisory Board Member (Outside) and one person on secondment from the said firm.

In addition, Mitsubishi Electric Corporation is a major supplier of our sales divisions and our key business partner, and accounts for 3.05% of the Company's net sales and 55.16% of our purchases. The Company has concluded a distribution contract with the said firm and maintains a stable business relationship. Transaction prices are determined based on negotiations on prices related to net sales, purchases and purchase discounts and other terms of transactions in consideration of prevailing market conditions.

Mitsubishi Electric Corporation places no business restrictions on the Company, and we pursue business activities based on our own management decisions.

## II. Business Management Organization and Other Corporate Governance Systems Concerning Management Decision-Making, Execution and Supervision

### II. 1. Matters Concerning Institutional Structure, Organizational Management and Others

Organizational form	Company with Audit & Supervisory Board
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#### [Directors]

Number of Directors as stipulated in the Articles of Incorporation	9 persons
Term of office of Directors as stipulated in the Articles of Incorporation	1 year
Chairperson of the Board of Directors	President
Number of Directors	8 persons
Appointment of Outside Directors	Appointed

Number of Outside Directors	3 persons
Number of Outside Directors designated as Independent Officers	3 persons

#### Relationship with the Company (1)

Name	Attributes	Relationship with the Company (*)												
		a	b	c	d	e	f	g	h	i	j	k		
Yoshiro Nagashima	Other													
Yayoi Ito	Other													
Tomoe Imado	Lawyer													

\* Items to be selected concerning Relationship with the Company

\* Select “○” if the relevant item presently applies or has recently applied to the person or “△” if the item applied to the person in the past

\* Select “●” if the relevant item presently applies or has recently applied to a close relative or “▲” if the item applied to a close relative in the past

a An executive of a listed company or its subsidiary

b An executive or non-executive director of the parent company of a listed company

c An executive of a fellow subsidiary of a listed company

d A person whose major business partner is a listed company or an executive thereof

e A major business partner of a listed company or an executive thereof

f A consultant, accounting professional or legal professional who receives a large sum of money or other assets, other than executive remuneration, from a listed company

g A major shareholder of a listed company (If the major shareholder is a corporation, an executive thereof)

h An executive of a business partner of a listed company (Those who do not fall under any of d, e and f) (only the individual him/herself)

i An executive of a company that has an arrangement for the mutual appointment of outside officers (only the individual him/herself)

j An executive of a company to which a listed company makes a donation (only the individual him/herself)

k Other

#### Relationship with the Company (2)

Name	Independent officer	Supplementary explanation of applicable items	Reasons for appointment
Yoshiro Nagashima	○	—	In addition to his experience as a corporate manager, Yoshiro Nagashima has served as an Audit & Supervisory Board Member as well as an Outside Director of listed companies, and the Company has appointed him expecting that he will provide appropriate advice on business and financial strategies.  In addition, we have determined that he meets the requirements for an independent officer and has no risk of having a conflict of interest with general shareholders.
Yayoi Ito	○	—	Although Yayoi Ito has no experience in corporate management, she possesses a wealth of experience

			<p>and insights in business strategy and ICT, and the Company has appointed her expecting that she will provide appropriate advice on business strategy and DX, etc.</p> <p>In addition, we have determined that she meets the requirements for an independent officer and has no risk of having a conflict of interest with general shareholders.</p>
Tomoe Imado	○	—	<p>Although Tomoe Imado has no experience in corporate management, she is well-versed in corporate legal affairs as a lawyer, and based on her experience as an outside director of listed companies, the Company has appointed her expecting that she will provide appropriate advice on matters such as compliance and governance.</p> <p>In addition, we have determined that she meets the requirements for an independent officer and has no risk of having a conflict of interest with general shareholders.</p>

Voluntary committee equivalent to a nomination committee or compensation committee	Yes
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#### Establishment of voluntary committee, structure, and attributes of chairperson

	Name of the committee	All members (persons)	Full-time member (persons)	Inside Director (persons)	Outside Director (persons)	Outside expert (persons)	Others (person)	Chairperson
Voluntary committee equivalent to a nomination committee	Nomination and Compensation Advisory Committee	4	1	1	3	0	0	Outside Director
Voluntary committee equivalent to a compensation committee	Nomination and Compensation Advisory Committee	4	1	1	3	0	0	Outside Director

#### Supplementary explanation

In FY2018, the Company established the Nomination and Compensation Advisory Committee to further enhance corporate governance by enhancing the fairness, transparency and objectivity of the procedures relating to the nomination of Directors and Executive Officers and the remuneration, etc. for Directors.

The majority of the members of the Committee are Outside Directors to ensure independence and neutrality.

The Committee is chaired by an Outside Director and consists of four members, namely, three Outside Directors and one Inside Director.

#### [Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Number of Audit & Supervisory Board Members as stipulated in the Articles of Incorporation	4 persons
Number of Audit & Supervisory Board Members	4 persons

#### Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Auditing Division

The Audit & Supervisory Board and Accounting Auditor regularly exchange opinions.

The Internal Auditing Division is responsible for reporting to Audit & Supervisory Board Members on matters that have a significant impact on the Company and the KANADEN Group, the status of audits, and other matters important for compliance.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3 persons
Number of Outside Audit & Supervisory Board Members designated as Independent Officers	2 persons

#### Relationship with the Company (1)

Name	Attributes	Relationship with the Company (*)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Osamu Okamoto	From another company							○		○				
Yutaka Nomiya	From another company													
Nobutake Ipposhi	Certified Public Accountant													

\* Items to be selected concerning Relationship with the Company

\* Select “○” if the relevant item presently applies or has recently applied to the person or “△” if the item applied to the person in the past

\* Select “●” if the relevant item presently applies or has recently applied to a close relative or “▲” if the item applied to a close relative in the past

a An executive of a listed company or its subsidiary

b A non-executive director or an accounting advisor of a listed company or its subsidiary

c An executive or non-executive director of the parent company of a listed company

d An auditor of the parent company of a listed company

e An executive of a fellow subsidiary of a listed company

- f A person whose major business partner is a listed company or an executive thereof
- g A major business partner of a listed company or an executive thereof
- h A consultant, accounting professional or legal professional who receives a large sum of money or other assets, other than executive remuneration, from a listed company
- i A major shareholder of a listed company (If the major shareholder is a corporation, an executive thereof)
- j An executive of a business partner of a listed company (Those who do not fall under any of f, g and h) (only the individual him/herself)
- k An executive of a company that has an arrangement for the mutual appointment of outside officers (only the individual him/herself)
- l An executive of a company to which a listed company makes a donation (only the individual him/herself)
- m Other

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Relationship with the Company (2)

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Name	Independent officer	Supplementary explanation of applicable items	Reasons for appointment
Osamu Okamoto			<p>Although Osamu Okamoto has no experience in corporate management, he has held the position of Deputy General Manager, Market Planning &amp; Administration Department, Corporate Marketing Group, Mitsubishi Electric Corporation and served as an Audit &amp; Supervisory Board Member of the group companies of Mitsubishi Electric. As such, he has thorough knowledge of the supervision of group companies.</p> <p>He also has extensive knowledge of finance and accounting through his experience of working in the accounting department of Mitsubishi Electric, which led to his appointment as an Outside Audit &amp; Supervisory Board Member.</p> <p>The Company has a business relationship with Mitsubishi Electric Corporation, which owns shares of the Company (20.12% excluding treasury shares).</p>
Yutaka Nomiyama	○		Yutaka Nomiyama is an Audit & Supervisory Board Member of

			<p>TTERAOKA SEISAKUSHO CO., LTD. and has a great deal of insight into management, having held key positions in the administrative department of TERAOKA SEISAKUSHO. The Company has appointed him expecting that he will provide appropriate advice on internal audits.</p> <p>In addition, we have determined that he meets the requirements for an independent officer and has no risk of having a conflict of interest with general shareholders.</p>
Nobutake Ipposhi	○		<p>Although Nobutake Ipposhi has no experience in corporate management, he is qualified as a certified public accountant and has considerable knowledge of finance and accounting through his research and teaching in the field of accounting. The Company has appointed him expecting that he will provide appropriate advice on financial accounting and internal controls.</p> <p>In addition, we have determined that he meets the requirements for an independent officer and has no risk of having a conflict of interest with general shareholders.</p>

**[Independent Officers]**

Number of Independent Officers	5 persons
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Other matters related to Independent Officers

The Company has designated all persons who satisfy the requirements for Independent Officers as Independent Officers.

**[Incentives]**

Implementation of measures to grant incentives to Directors	Introduction of performance-based remuneration, others
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#### Supplementary explanation of applicable items

To ensure that the remuneration structure fully functions as an incentive to achieve sustainable growth in corporate value, the Company has established a remuneration structure that is linked to shareholder interests and consists of fixed basic remuneration, performance-based remuneration (bonus), and share remuneration, which contributes to medium- to long-term growth in corporate value.

The Company only pays basic remuneration to Outside Directors in view of the nature of their duties.

For policies for determining the performance-based remuneration (bonus) and share remuneration mentioned above, please refer to “Information disclosed on policies for determining the amount of remuneration and the calculation method thereof” of 1. Matters Concerning Institutional Structure, Organizational Management and Others [Director remuneration], II Business Management Organization and Other Corporate Governance Systems Concerning Management Decision-Making, Execution and Supervision.

Directors eligible to receive stock options	
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#### Supplementary explanation of applicable items

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#### [Director remuneration]

Disclosure (of remuneration for individual Directors)	Individual remuneration not disclosed
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#### Supplementary explanation of applicable items

Total amount of remuneration, etc. paid to Directors and Audit & Supervisory Board Members in FY2023
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	Number of those eligible to receive remuneration	Total amount of remuneration, etc.	Basic remuneration	Bonus	Share remuneration (Performance-based)	Share remuneration (Service-based)
Directors (of those, Outside Directors)	8 persons (3 persons)	261 million yen (24 million yen)	110 million yen (24 million yen)	119 million yen (-)	15 million yen (-)	15 million yen (-)
Audit & Supervisory Board Members (of those, Outside Audit & Supervisory Board Members)	4 persons (2 persons)	20 million yen (8 million yen)	20 million yen (8 million yen)	—	—	—
Total (of those, Outside Officers)	12 persons (5 persons)	282 million yen (32 million yen)	130 million yen (32 million yen)	119 million yen (-)	15 million yen (-)	15 million yen (-)

Notes)
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- 1 The above amount paid includes one Director and one Audit & Supervisory Board Member who retired at the conclusion of the 173rd General Meeting of Shareholders held on June 20, 2023.
- 2 The amount paid to Directors does not include employee salaries and bonuses for Directors who also serve as employees.
- 3 Indicators for performance-based remuneration include ordinary profit and others. For the actual results, please refer to II Business Management Organization and Other Corporate Governance Systems Concerning Management Decision-Making, Execution and Supervision, 1. Matters Concerning Institutional Structure, Organizational Management and Others [Director remuneration] “Information disclosed on policies for determining the amount of remuneration and the calculation method thereof.”
- 4 For the conditions and such for the allotment of share remuneration, please refer to II Business Management Organization and Other Corporate Governance Systems Concerning Management Decision-Making, Execution and Supervision, 1. Matters Concerning Institutional Structure, Organizational Management and Others [Director remuneration] “Information disclosed on policies for determining the amount of remuneration and the calculation method thereof.”
- 5 At the 162nd General Meeting of Shareholders held on June 28, 2012, it was resolved that the maximum amount of remuneration for Directors shall be 300 million yen per year (not including employee salaries and bonuses). At the conclusion of said General Meeting of Shareholders, there were nine Directors (of those, one was an Outside Director). In addition to this remuneration limit, at the 168th General Meeting of Shareholders held on June 20, 2018, it was resolved that the maximum amount of remuneration granted in the form of restricted shares to Directors (excluding Outside Directors) shall be 50 million yen per year. At the conclusion of said General Meeting of Shareholders, there were eight Directors (of those, two were Outside Directors). In addition, at the 171st General Meeting of Shareholders held on June 24, 2021, it was resolved that the restricted share remuneration for Directors (excluding Outside Directors) shall consist of performance-based and service-based remuneration. At the conclusion of said General Meeting of Shareholders, there were nine Directors (of those, three were Outside Directors).
- 6 At the 171st General Meeting of Shareholders held on June 24, 2021, it was resolved that, of the restricted share remuneration for Directors (excluding Outside Directors), the maximum amount of performance-based restricted share remuneration shall be 30 million yen per year, and the maximum amount of service-based restricted share remuneration shall be 30 million yen, and the total shall be 50 million yen or less per year. At the conclusion of said General Meeting of Shareholders, there were nine Directors (of those, three were Outside Directors).
- 7 The Nomination and Compensation Advisory Committee makes recommendations to the Board of Directors on the remuneration for individual Directors after a multifaceted review of various matters, including the consistency thereof with the policy for determining remuneration, etc. The Board of Directors then makes decisions by respecting those recommendations. Based on this, the Board of Directors has determined that the remuneration, etc. for individual Directors is in line with the basic policy and the policy for determining remuneration.
- 8 At the 162nd General Meeting of Shareholders held on June 28, 2012, it was resolved that the maximum



amount of remuneration for Audit & Supervisory Board Members shall be 50 million yen per year. At the conclusion of said General Meeting of Shareholders, there were four Audit & Supervisory Board Members.

- 9 Transfer restrictions for service-based restricted shares have been lifted for one Director who retired at the 173rd General Meeting of Shareholders.

Policies for determining the amount of remuneration and the calculation method thereof

Yes

#### Information disclosed on policies for determining the amount of remuneration and the calculation method thereof

With respect to the remuneration, etc. for Directors and Audit & Supervisory Board Members, the maximum amount of remuneration is determined for each of the Directors and Audit & Supervisory Board Members by resolution of the General Meeting of Shareholders.

The policy for determining remuneration, etc. for Directors is as follows.

##### 1. Basic Policy

To ensure that the remuneration structure for Directors of the Company fully functions as an incentive to achieve sustainable growth in corporate value, the Company has established a remuneration structure that is linked to shareholder interests. The basic policy for determining remuneration for individual Directors is to set a level that is appropriate in light of their position and earnings performance. Specifically, Director remuneration consists of three components: basic remuneration, which is fixed remuneration; performance-based remuneration, etc.; and share remuneration. However, only basic remuneration is paid to Outside Directors in view of the nature of their duties.

##### 2. Policies for Determining the Amount of Basic Remuneration (Monetary Remuneration) for Individual Directors (Including Policies for Determining the Time or Conditions for Paying Remuneration, etc.)

Basic remuneration for the Directors of the Company consists of fixed monthly remuneration at a level appropriate for their position, which is determined comprehensively by taking into account objective remuneration survey data (such as industry, business category, net sales, market capitalization, and number of employees) obtained from specialized external third-party organizations, and the salary level of employees.

##### 3. Policies for Determining the Content of Performance-based Remuneration and Non-monetary Remuneration, and the Method of Calculating the Amount or Volume (Including Policies for Determining the Time or Conditions for Paying Remuneration, etc.)

A certain percentage of consolidated ordinary profit in each fiscal year is used as the source of funds for performance-based remuneration, etc., and the remuneration is paid as a bonus on a fixed date every year.

The amount of remuneration for each Director is determined on the basis of his/her contribution to earnings performance and his/her position.

Non-monetary remuneration, etc. is provided in the form of restricted share remuneration.

< Details of restricted share remuneration >

##### (1) Overview

With respect to restricted shares granted to Directors (hereinafter referred to as “eligible Directors”), excluding Outside Directors, (a) Shares for which transfer restrictions will be lifted “contingent on the degree of achievement of the management target values set in advance by the Board of Directors of the Company for each target in the medium-term management plan” (hereinafter referred to as the “performance-based restricted share remuneration”) and (b) Shares for which transfer restrictions will be lifted “contingent on an Eligible Director continuing to hold the position of Director of the Company or other position stipulated by the Board of Directors during the transfer restriction period (hereinafter referred to as the “service-based restricted share remuneration”) coexist.

(2) Maximum amount and maximum number of restricted shares to be granted to eligible Directors

For the total amount of common shares of the Company to be issued and disposed of to eligible Directors as restricted shares, the maximum amount of performance-based restricted share remuneration shall be 30 million yen per year, and the maximum amount of service-based restricted share remuneration shall be 30 million yen, and the total shall be 50 million yen or less per year.

For the total number of common shares of the Company to be issued and disposed of accordingly, the maximum number of shares granted as performance-based restricted share remuneration shall be 60 thousand shares per year, and the maximum number of shares granted as service-based restricted share remuneration shall be 60 thousand shares per year, and the total shall be 100 thousand shares or less per year.

The Board of Directors determines the specific allocation to each eligible Director.

The grant of restricted shares involves the issuance of common shares or the disposal of treasury shares as remuneration, etc. for Directors of the Company and requires no payment of money, etc. The amount of remuneration for eligible Directors is calculated based on the closing price per share of the Company’s common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of the Board of Directors resolution.

(3) Overview of performance-based restricted shares to be granted to eligible Directors

In granting performance-based restricted shares, the Company and eligible Directors are to enter into an agreement for the allotment of restricted shares (hereinafter referred to as “Allotment Agreement 1”), which includes the following:

- a. A stipulation that eligible Directors shall not transfer, create a security interest over or otherwise dispose of the common shares of the Company allotted under the Allotment Agreement 1 (hereinafter referred to as “Allotted Shares 1”) during the transfer restriction period. (hereinafter referred to as “Transfer Restrictions 1”)

The transfer restriction period is one to five years, as determined by the Board of Directors, depending on the period covered by the Medium-Term Management Plan.

- b. Depending on the degree of achievement of the management target values set in advance by the Board of Directors of the Company for each of the target medium-term management plans, the Transfer Restrictions 1 will be lifted for all or part of the Allotted Shares 1 upon the expiration of the transfer restriction period, and thereafter, eligible Directors will be free to transfer, etc. the Allotted Shares 1 for which the Transfer Restrictions 1 have been lifted.
- c. If, before the expiration of the transfer restriction period, an eligible Director loses his/her position as a Director of the Company, the Company shall rightfully acquire the Allotted Shares 1 without compensation, except where there are reasons deemed justifiable by the Board of Directors of the Company.

On the other hand, in the event that an eligible Director loses his/her position as a Director of the Company due to reasons deemed justifiable by the Board of Directors of the Company, the Company shall lift the Transfer Restrictions 1 for all or part of the Allotted Shares 1 upon the expiration of the transfer restriction period.

- d. Upon the expiration of the transfer restriction period, the Company shall rightfully acquire, without compensation, the Allotted Shares 1 for which the Transfer Restrictions 1 have not been lifted in accordance with the provisions of b. and c. above.
- e. If, during the transfer restriction period, a merger agreement under which the Company will be an absorbed company, a share exchange agreement under which the Company will become a wholly owned subsidiary, a share transfer plan, or any other matter relating to a reorganization is approved at a General Meeting of Shareholders of the Company, prior to the effective date of the reorganization, etc., the Company shall, by a resolution of the Board of Directors of the Company, lift the Transfer Restrictions 1 for all of the Allotted Shares 1 held by eligible Directors on the date of the approval of the reorganization, etc.
- f. In the case described in e. above, the Company shall rightfully acquire, without compensation, the Allotted Shares 1 for which the Transfer Restrictions 1 have not been lifted, immediately after the lifting of the Transfer Restrictions 1 in accordance with e. above.
- g. In addition to a. through f. above, the Allotment Agreement 1 sets forth the method of expressing intent and giving notification in relation to the Allotment Agreement 1, the method of revising the Allotment Agreement 1 and other matters prescribed by the Board of Directors.

(4) Overview of service-based restricted shares to be granted to eligible Directors

In granting service-based restricted shares, the Company and eligible Directors are to enter into an agreement for the allotment of restricted shares (hereinafter referred to as “Allotment Agreement 2”), which includes the following:

- a. A stipulation that eligible Directors shall not transfer, create a security interest over or otherwise dispose of the common shares of the Company allotted under the Allotment Agreement 2 (hereinafter referred to as “Allotted Shares 2”) during the transfer restriction period. (hereinafter referred to as “Transfer Restrictions 2”)  
The transfer restriction period is one to five years, as determined by the Board of Directors, depending on the period covered by the Medium-Term Management Plan.
- b. If, before the expiration of the transfer restriction period, an eligible Director loses his/her position as a Director of the Company or as personnel stipulated by the Board of Directors of the Company, the Company shall rightfully acquire the Allotted Shares 2 without compensation, except where there are reasons deemed justifiable by the Board of Directors of the Company.
- c. On the condition that an eligible Director has been continuously serving as a Director of the Company or in other positions stipulated by the Board of Directors of the Company during the transfer restriction period, the Company shall lift the Transfer Restrictions 2 for all of the Allotted Shares 2 upon the expiration of the transfer restriction period. However, if, before the expiration of the transfer restriction period, an eligible Director loses any of the positions set forth in b. above due to reasons deemed justifiable by the Board of Directors of the

Company as set forth in b. above, the Company shall adjust, as reasonable and necessary, the number of the Allotted Shares 2 for which the Transfer Restrictions 2 are to be lifted and the timing at which the Transfer Restrictions 2 are to be lifted.

- d. Upon the expiration of the transfer restriction period, the Company shall rightfully acquire, without compensation, the Allotted Shares 2 for which the Transfer Restrictions 2 have not been lifted in accordance with the provisions of c. above.
- e. If, during the transfer restriction period, a merger agreement under which the Company will be an absorbed company, a share exchange agreement under which the Company will become a wholly owned subsidiary, a share transfer plan, or any other matter relating to a reorganization is approved at a General Meeting of Shareholders of the Company, prior to the effective date of the reorganization, etc., the Company shall, by a resolution of the Board of Directors of the Company, lift the Transfer Restrictions 2 for all of the Allotted Shares 2 held by eligible Directors on the date of the approval of the reorganization, etc.
- f. In the case described in e. above, the Company shall rightfully acquire, without compensation, the Allotted Shares 2 for which the Transfer Restrictions 2 have not been lifted, immediately after the lifting of the Transfer Restrictions 2 in accordance with e. above.
- g. In addition to a. through f. above, the Allotment Agreement 2 sets forth the method of expressing intent and giving notification in relation to the Allotment Agreement 2, the method of revising the Allotment Agreement 2 and other matters prescribed by the Board of Directors.

4. Policies for Determining the Ratio of Monetary Remuneration, Performance-based Remuneration, Etc. or Non-monetary Remuneration, Etc. to the Amount of Remuneration, Etc. for Each Director

With respect to the ratio of each type of remuneration for individual Directors, the higher a Director's position, the higher the ratio of performance-based remuneration, which is reviewed by the Nomination and Compensation Advisory Committee. The Board of Directors respects the recommendations of the Nomination and Compensation Advisory Committee and makes decisions on the remuneration, etc. for each Director based on the ratio of each type of remuneration presented in those recommendations.

Position	Basic remuneration	Performance-based bonus	Restricted share remuneration	
			Performance-based	Service-based
President	42.3%	43.5%	7.1%	7.1%
Director with special titles	43.7%	42.7%	6.8%	6.8%
Director	44.9%	41.9%	6.6%	6.6%

Notes 1 Remuneration includes salaries for Directors who also serve as employees. Outside Directors are not included.

2 The above percentages represent the percentages when 100% of the management targets in the ES•C2025 Medium-term Management Plan are achieved. The ratio of remuneration varies depending on the results of earnings performance.

5. Matters Concerning Decisions on the Content of Remuneration, Etc. for Individual Directors

The Company calculates the amounts of basic remuneration for each Director, the extent of each Director's contribution to earnings performance, the bonuses to be allocated according to each Director's position, and

the allotment of share remuneration based on internal regulations, and the details shall be reviewed by the Nomination and Compensation Advisory Committee. The Board of Directors respects the recommendations of the Nomination and Compensation Advisory Committee and makes decisions on the remuneration, etc. for each Director.

#### **[Support system for Outside Directors (Outside Audit & Supervisory Board Members)]**

The General Affairs Division at the Head Office is responsible for assisting and communicating information to Outside Directors and Outside Audit & Supervisory Board Members whenever necessary or at the request of Outside Directors and Outside Audit & Supervisory Board Members.

## **II. 2. Matters Concerning Functions Such As Business Execution, Audit and Supervision, Nomination, and Remuneration Determination (Overview of Current Corporate Governance System)**

The Board of Directors consists of eight Directors, including three Outside Directors, to ensure swift and appropriate managerial decision-making. It holds ordinary board meetings every month and extraordinary board meetings as needed.

In addition, the Management Meeting has been established as a subsidiary body of the Board of Directors and, in principle, deliberates and makes decisions on important management matters once a week.

Furthermore, the Board of Executive Officers, which is composed of Directors and Executive Officers, regularly meets once a month to request reports on the details of business operations so that management decision-making is accurately reflected in operating divisions.

The Audit & Supervisory Board is comprised of four Audit & Supervisory Board Members, including three Outside Audit & Supervisory Board Members. In accordance with the audit policy, etc. it has formulated, Audit & Supervisory Board Members attend meetings of the Board of Directors, the Board of Executive Officers and other key meetings, and carry out audits such as by learning from Directors and other personnel about the status of the performance of their duties and inspecting documents whereby important decisions were made, etc. They also carry out audits, including investigation of operations and assets at the Head Office and principal offices. If necessary, the Board also audits subsidiaries, for example, by asking them for reports on their operations.

Deloitte Touche Tohmatsu LLC has been appointed as the Accounting Auditor, but there is no special interest between the Company and Deloitte Touche Tohmatsu LLC or its managing partners engaged in the accounting audit of the Company. In addition, Deloitte Touche Tohmatsu LLC has voluntarily taken measures to ensure that its managing partners are not involved in the Company's accounting audit beyond a certain period of time. The Company has signed an audit agreement with Deloitte Touche Tohmatsu LLC for the audits based on the Companies Act and the Financial Instruments and Exchange Act, and pays fees based on the agreement.

The Company has set up an Internal Auditing Division. With four staff members, including a chief, it works

from a standpoint independent of business execution to check whether the business operations and activities in individual segments comply with laws and regulations, the Articles of Incorporation and internal regulations, and the Company's management policy and business plan and offers specific advice and recommendations in an effort to maintain the soundness of the Company. Internal audits are conducted in accordance with the annual plan. Their results are reported to the Representative Director and Audit & Supervisory Board Members. Management thus understands the implementation status and results thereof, and Executive Officers of audited divisions carry out follow-ups.

As for the nomination and remuneration function for Officers, in FY2018, the Company established the Nomination and Compensation Advisory Committee to further enhance corporate governance by enhancing the fairness, transparency and objectivity of the procedures relating to the nomination of Directors and Executive Officers and the remuneration, etc. for Directors.

In order to ensure independence and neutrality, the Committee is chaired by an Independent Outside Director, and the majority of its members are appointed from among Outside Directors. The Committee consists of four members, namely, three Outside Directors and one Inside Director. The Committee discusses and makes recommendations on the appointment and dismissal of Directors and Executive Officers, formulation of a succession plan and the remuneration for Directors based on consultation with the Board of Directors or the Representative Director.

### II. 3. Reasons for Adopting the Current Corporate Governance System

The Company has adopted the Audit & Supervisory Board system. In addition, the Executive Officer system allows the Board of Directors to accelerate decision-making and enhance management efficiency by separating management from execution. This Executive Officer system has the confidence of shareholders and is also stipulated in the Articles of Incorporation. In addition, three Outside Directors and three Outside Audit & Supervisory Board Members have been appointed to ensure the transparency and fairness of management.

Furthermore, the Nomination and Compensation Advisory Committee, which is chaired by an Outside Director, has been established to ensure the fairness, transparency and objectivity of the procedures relating to the nomination and remuneration of Directors and Executive Officers.

As such, by clearly separating business execution from auditing and supervision and enforcing controls, the Company's corporate governance system is functioning effectively, and the Company believes that it is the most appropriate system for the Company as of now.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### III. 1. Initiatives to Revitalize the General Meeting of Shareholders and Facilitate the Exercise of Voting Rights

	Supplementary explanation
Scheduling the General Meeting of Shareholders to avoid days on which many other companies hold their General Meeting of Shareholders	The Company holds the General Meeting of Shareholders on weekdays to avoid days on which many other companies hold their General Meeting of Shareholders.
Exercise of voting rights by electromagnetic means	A system for exercising voting rights by electromagnetic means has been introduced.
Participation in an electronic voting	The Company has been participating in a platform.

platform and other initiatives to improve the voting environment for institutional investors	
Provision of the Notice of General Meeting of Shareholders (summary) in English	An English translation of a summary of the “Notice of General Meeting of Shareholders” is available on the website of the Tokyo Stock Exchange and on the Company website. Notice of General Meeting of Shareholders in English <a href="https://www.kanaden.co.jp/en/ir/library/meeting/">https://www.kanaden.co.jp/en/ir/library/meeting/</a>
Other	A video of the General Meeting of Shareholders is posted on the Company website after the Meeting. Video of the General Meeting of Shareholders <a href="https://www.kanaden.co.jp/ir/stocks/meeting/">https://www.kanaden.co.jp/ir/stocks/meeting/</a>

### III. 2. Status of IR Activities

	Supplementary explanation	Explanations by the representative himself
Preparation and publication of disclosure policy	The Company’s disclosure policy is posted on the Company website. Disclosure Policy <a href="https://www.kanaden.co.jp/ir/disclosure-policy/">https://www.kanaden.co.jp/ir/disclosure-policy/</a>	
Holding of regular briefings for individual investors	The Company holds company briefings for individual investors. The Company also posts materials and videos of company briefings on the Company website.  Company briefings for individual investors <a href="https://www.kanaden.co.jp/ir/investor/">https://www.kanaden.co.jp/ir/investor/</a>	Yes
Holding of regular briefings for analysts and institutional investors	The Company holds a briefing on the final financial results and the second quarter (interim) financial results for institutional investors. The Company also posts materials and videos of financial results briefings on the Company website. Financial Results Briefing Materials <a href="https://www.kanaden.co.jp/ir/library/results-briefing/">https://www.kanaden.co.jp/ir/library/results-briefing/</a>	Yes
Posting of IR materials on the website	Such materials include financial results summaries, Securities Reports (quarterly reports), notices of General Meetings of Shareholders, corporate governance reports, materials for financial results briefings, Annual Reports and Shareholder Newsletters and they are posted on the Company website. The Company also posts information on financial highlights and the Medium-term Management Plan on the Company website.  Japanese version <a href="https://www.kanaden.co.jp/ir/library/settlement/">https://www.kanaden.co.jp/ir/library/settlement/</a> English version <a href="https://www.kanaden.co.jp/en/ir/library/settlement/">https://www.kanaden.co.jp/en/ir/library/settlement/</a>	
Establishment of department (person in charge) related to IR	Executive Officer (Administration Division)	
Other	In addition to preparing and mailing the “Shareholder Newsletter” to shareholders twice a year, the Company	

	conducts an annual shareholder survey to obtain the views of shareholders.	
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### III. 3. Status of Initiatives to Ensure Due Respect for Stakeholders

	Supplementary explanation
Provision concerning respect for stakeholders in internal regulations, etc.	The KANADEN Group fully reflects and implements the concept of respecting the position of shareholders and other stakeholders in its internal regulations, etc., such as the Rules for Handling of Shares.
Implementation of environmental conservation and CSR activities, etc.	The KANADEN Group considers environmental issues to be one of its most important issues and, under the KANADEN Group Environmental Policy, aims to conserve and be in harmony with the global environment. In its business activities, the Group will create new environmental businesses by proposing the best solutions for its customers. Details of its environmental conservation and social contribution activities are available on the Company website. Sustainability <a href="https://www.kanaden.co.jp/sustainability/">https://www.kanaden.co.jp/sustainability/</a>
Formulation of policies, etc. for providing information to stakeholders	The KANADEN Group has high ethical standards and its basic policy is to fulfill the expectations and garner the trust of diverse stakeholders, not only shareholders but employees, business partners, financial institutions, and local communities, through dialogue with them and sound and sincere business practices. Based on this policy, the KANADEN Group strives to communicate broadly with society and to disclose corporate information in a timely and appropriate manner. The KANADEN Group also publishes the Annual Report summarizing the Group's business activities once a year in order to promote a deeper understanding of the KANADEN Group. Annual Report <a href="https://www.kanaden.co.jp/ir/library/kanaden-report/">https://www.kanaden.co.jp/ir/library/kanaden-report/</a>

## IV. Matters Concerning Internal Control Systems, Etc.

### IV. 1. Basic Viewpoint concerning Internal Control Systems and Their Development Status

<p>Basic Policies for Systems to Ensure Appropriateness of Business Operations</p> <p>1. System to Ensure That the Performance of Duties by Directors and Employees Complies with Laws and Regulations and the Articles of Incorporation</p> <p>(1) The Company has established the Corporate Ethics Guideline for its officers and employees to comply with laws and regulations and conduct business activities in accordance with social norms, and provides education to them at every opportunity.</p> <p>(2) The Company has established the Compliance Committee, chaired by the Representative Director, to discuss and implement initiatives to promote compliance so that officers and employees act based on high ethical standards.</p> <p>(3) The Company has clarified and practices its stance of rejecting relations with antisocial forces and organizations in accordance with its Corporate Ethics Guideline.</p> <p>(4) The Company has established the Rules for Administrative Authority to ensure that officers perform their duties in accordance with laws and regulations and the Articles of Incorporation, and has clarified the responsibilities and authority of each position.</p>
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- (5) The Company has established the Corporate Ethics Hotline through its General Affairs Division, Human Resources Division, Internal Auditing Division and outside lawyers to prevent violations of laws and regulations and the Articles of Incorporation before they occur, and to take prompt and appropriate corrective action when such violations do occur.
- (6) The Company has established the Rules for Ringi System (Request for Managerial Decision) to encourage the clarification of responsibilities and authority in accordance with the Rules for Administrative Authority, to ensure confirmation, to make records and to ensure the appropriateness of business operations through the retention and management thereof.
- (7) Under the direction of the Representative Director, the Company strengthens internal controls throughout the KANADEN Group and controls the activities of each business process, and operates internal controls over financial reporting in a fair and appropriate manner. The Company also continually evaluates whether the system functions properly and makes necessary corrections.

## 2. System for Retention and Management of Information Related to the Performance of Duties by Directors

- (1) The Company retains the minutes of the Board of Directors meetings and the minutes of the Management Meetings in the General Affairs Division at the Head Office for a period of 10 years, in accordance with the Rules for the Board of Directors and the Rules for the Management Meetings.
- (2) When a Director or an Audit & Supervisory Board Member requests to inspect the minutes of the Board of Directors meetings and the minutes of the Management Meetings, the General Affairs Division at the Head Office shall promptly make them available for inspection.

## 3. Regulations and Other Systems for Management of Risk of Loss

- (1) The General Affairs Division at the Head Office is responsible for monitoring and addressing overall risks within the Company and the KANADEN Group, while each division is responsible for managing risks associated with the operations of their division, such as property risks, legal risks, environmental risks, labor risks, as well as information security and transaction credit risks.
- (2) The Company has established the Rules for Crisis Management and the Rules for Disaster Response to provide basic responses to critical situations the Company and the KANADEN Group could encounter.

## 4. System to Ensure That Duties of Directors Are Performed Efficiently

- (1) The Company has established the KANADEN Group's corporate philosophy and management policies and formulates a medium-term management plan to embody these principles.
- (2) The Company has established the Executive Officer system to accelerate management decision-making and ensure operational mobility.
- (3) The Board of Directors appoints Executive Officers and has established the Rules for Executive Officers and the Rules for the Board of Executive Officers to supervise the execution of operations by Executive Officers.

## 5. System to Ensure the Appropriateness of Business Operations within the Corporate Group Consisting of the Company and Its Affiliates

The Company has established the Rules for Managing Affiliated Companies to ensure that their business operations are conducted properly, and in accordance with these Rules, the Business Promotion Division is responsible for managing affiliated companies.

In addition, the Company has its officers or employees concurrently serve as Directors or Audit & Supervisory Board Members of its affiliated companies, and has them report on the performance of duties by

Directors of such affiliated companies.

- (1) The Business Promotion Division provides comprehensive advice and guidance to affiliated companies on matters such as corporate governance in order to ensure appropriate business operations, in accordance with the Rules for Administrative Authority.
  - (2) The Internal Auditing Division conducts regular audits of the operations of affiliated companies.
  - (3) The General Affairs Division at the Head Office provides advice and guidance on legal compliance to affiliated companies.
  - (4) The Export Administration Division provides advice and guidance on export control to affiliated companies.
  - (5) The Human Resources Division provides advice and guidance on labor management to affiliated companies.
  - (6) The Accounting Division and the Finance Division provide advice and guidance on finance and accounting to affiliated companies.
6. Matters Concerning the System for Employees in the Event that Audit & Supervisory Board Members Request the Appointment of Employees to Assist with Their Duties and the Independence of Such Employees from the Directors
- (1) The Company, in consultation with the Audit & Supervisory Board, does not appoint any employees to assist with the duties of Audit & Supervisory Board Members. However, when specifically requested by an Audit & Supervisory Board Member, the Company will appoint such employees on a temporary basis.
  - (2) A person who assists Audit & Supervisory Board Members on a temporary basis shall be a non-management employee of the Administration Division, and when he/she is engaged in assisting Audit & Supervisory Board Members, he/she shall not receive any orders or instructions from anyone other than Audit & Supervisory Board Members.
  - (3) During the period a person who assists Audit & Supervisory Board Members on a temporary basis is engaged in assisting Audit & Supervisory Board Members, the Company seeks opinions from the Audit & Supervisory Board regarding his/her performance review and personnel transfer.
7. System for Directors and Employees to Report to Audit & Supervisory Board Members and Other Systems for Reporting to Audit & Supervisory Board Members
- (1) Directors and employees shall report to the Audit & Supervisory Board on, in addition to statutory matters, matters that have a significant impact on the Company and the KANADEN Group, the status of audits by the Accounting Auditors and internal auditors, and other matters important for compliance, and they shall not be treated disadvantageously on account of having reported such matters.
  - (2) When the Company learns of material facts that violate laws and regulations, the Articles of Incorporation, etc. or other matters important for compliance through the operation of the Corporate Ethics Hotline, it makes an appropriate report to Audit & Supervisory Board Members.
8. Other Systems to Ensure That Audits by Audit & Supervisory Board Members Are Conducted Effectively
- (1) The Audit & Supervisory Board regularly holds meetings to exchange opinions with the Representative Director.
  - (2) When an Audit & Supervisory Board Member requests an advance payment or reimbursement of expenses arising in connection with the performance of his/her duties or repayment of debts incurred, the Company responds to such request unless such expenses are deemed unnecessary for the performance of the duties of the Audit & Supervisory Board Member.

Reference: “Corporate Governance System Chart” at the end of this report

#### IV. 2. Basic Viewpoint concerning Elimination of Anti-Social Forces and the Status of Measures Therefor

In order to eliminate anti-social forces, the Company sets forth the following in its Corporate Ethics Guidelines.

- (1) To avoid engaging in illegal or antisocial activities, we will always strive to act sensibly while possessing basic legal knowledge, social common sense and a sense of justice.
- (2) We will resolutely deal with antisocial forces and have no relationship with them. In addition, when we receive unjust demands from antisocial forces, we will take a firm stance and will not attempt to resolve the situation by handing over money or by other means.
- (3) We will not use antisocial forces to gain profit for the Company or ourselves.
- (4) We will not conduct any business with antisocial forces or business partners associated with antisocial forces.

#### V. Other

##### V. 1. Adoption of Anti-takeover Measures

Adoption of Anti-takeover Measures	None
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Supplementary explanation of applicable items

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##### V. 2. Other Matters Related to Corporate Governance System

The Company has set forth a timely disclosure system as follows.

[Internal system for disclosure of decisions and financial information]

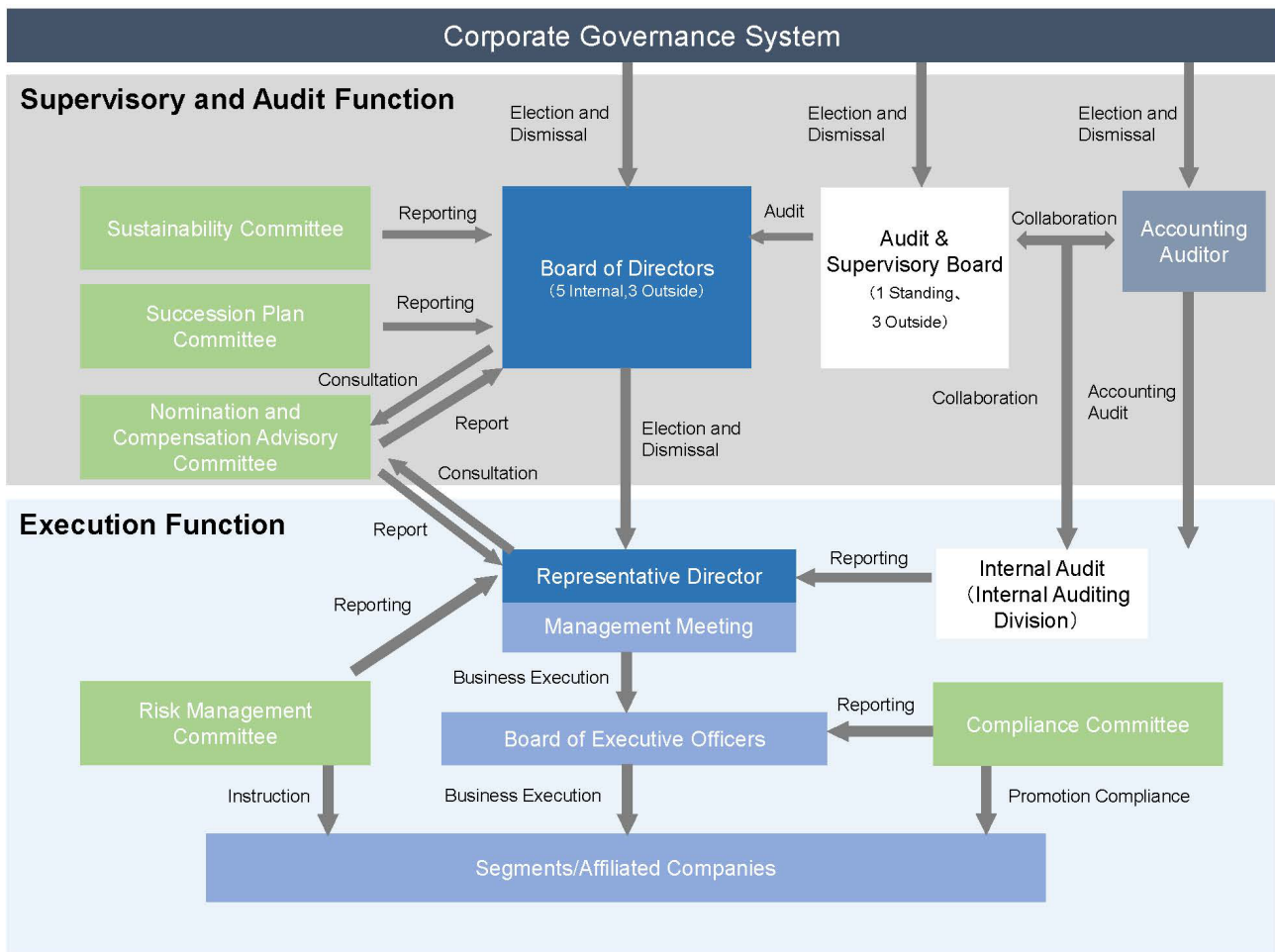
- After a resolution of the Board of Directors, the Representative Director promptly discloses information in accordance with the Rules for Timely Disclosure.

[Internal system for disclosure of occurrences]

- After the fact, the Representative Director promptly discloses information in accordance with the Rules for Timely Disclosure.

Reference: “Timely Disclosure System” at the end of this report

“Corporate governance System chart”



“Timely Disclosure System”

[Internal system for disclosure of decisions and financial information]

- After a resolution of the Board of Directors, the Representative Director promptly discloses information in accordance with the Rules for Timely Disclosure.

[Internal system for disclosure of occurrences]

- After the fact, the Representative Director promptly discloses information in accordance with the Rules for Timely Disclosure.

