

The state of corporate governance of Mitsui High-tec, Inc. (“the Company”) is described below.

## **I. Fundamental Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information**

### **1. Fundamental Approach**

In line with our action guideline “Take The High Road,” the Company is working to strengthen corporate governance to increase management transparency, respond quickly to changes in the management environment and seek continuous enhancement of its corporate value.

#### **[Reasons for Non-compliance with Principles of Japan’s Corporate Governance Code]**

The Company has implemented all of the principles of Japan’s Corporate Governance Code.

#### **[Disclosure Based on Principles of Japan’s Corporate Governance Code]**

##### **[Principle 1.4] Cross-shareholdings**

The Company engages in cross-shareholding to build, maintain and strengthen relationships with important clients, suppliers and communities for sustainable growth and the sustainable increase of corporate value. The Company quantitatively examines whether dividend income and earnings related to major cross-shareholdings are sufficient to justify the cost of capital and qualitatively examines whether the cross-shareholdings contribute to the increase of the Company’s corporate value. The Board of Directors regularly reviews the purposes of these cross-shareholdings. The Company reduces its cross-shareholdings after discussions with the companies involved if a review has determined that the significance of holding the stock has declined.

The Company exercises voting rights related to cross-shareholdings after examining agenda items carefully and comprehensively considering sustainable growth and the improvement of the corporate value of both the Company and the investee enterprise in the medium and long term.

##### **[Principle 1.7] Related party transactions**

The Company’s policy is to make any transaction with a related party (officer or major shareholders, etc.) the subject of a resolution of the Board of Directors regardless of the transaction amount and deliberate any such transaction to ensure that it is not damaging to the interests of the Company and shareholders’ common interests.

##### **[Supplementary Principle 2.4.1] Diversity of core human resources**

One of the Company’s human resource development policy is, “Enabling each employee to take full advantage of their ability regardless of gender, nationality or number of years spent at the Company and cultivating human resources who are able to learn and grow autonomously.” Under this policy, the Company strives to develop a corporate culture and cultivate human resource. The Company develops an internal environment for achieving this. It has provided training to change mindsets and promote diversity and it has provided training in Japan to employees working at Group companies overseas to improve their technical capabilities.

The Company aims to increase the percentage of managers that are women from the current 1.5% to 5% by 2026. (As of February 2023: 2.0%)

The Company recruits female students, with the goal of these students being 25% or more of new administrative, sales and engineering staff. (New employees as of April 2023: 23.8%)

The Company will endeavor to achieve diversity and increase the percentage of managers who were hired as mid-career employees by continuing to recruit mid-career specialists to increase the number of specialists, which is insufficient. (As of February 2023: 17.8%)

To promptly respond to rapidly changing global markets, the Company will focus on cultivating local staff overseas and increase the percentage of non-Japanese managers (As of February 2023: 34.8%)

##### **[Principle 2.6] Roles of corporate pension funds as asset owners**

The Company manages pension assets based on a basic policy which stipulates matter such as the policy asset mix and appropriate methods for selecting and evaluating pension fund operators, for the purpose of financing pensions in the future and maintaining the Company’s financial soundness.

The Company also regularly monitors the performance of pension assets and changes the asset mix or shares of fund operators where necessary.

The Company puts human resources with the necessary experience and qualifications in charge of asset management and also endeavors to train them.

[Principle 3.1] Full disclosure

(i) [Corporate principles]

Since its foundation, the Company has adopted the mottos “We shall provide products which people in the world need,” “We shall support all our associates by promoting each other’s prosperity” and “We shall build an ideal and humane workplace based on the spirit of equality” as its corporate principles. Leveraging ultra-precision machining technologies as a development-based manufacturing company, the Company will provide value which meets the needs of the world to realize a “happier tomorrow” where people can live more convenient, more affluent lives with greater peace of mind.

[Management strategies and management plans]

Please refer to the Mitsui High-tec website for information about medium-to-long-term management strategy.

(URL: [https://www.mitsui-high-tec.com/ja/ir/ir\\_lib.php](https://www.mitsui-high-tec.com/ja/ir/ir_lib.php))

(ii) The underlying concept and basic policy of corporate governance is as stated in “I. Fundamental Views” of “I. Fundamental Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information” in the Corporate Governance Report.

(iii) Policies and procedures when the Board of Directors determines the compensation of the executive management team and Directors are as stated in “1. Organizational Composition and Operation, [Remuneration for Directors/Executive Officers], Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods” of “II. Business Management Organization and Other Corporate Governance Systems regarding Decision Making, Execution of Business, and Oversight” in the Corporate Governance Report.

(iv) Matters concerning individual appointment, dismissal and nomination, etc. when candidate directors are nominated are as described in the supplementary explanation to 1. Organizational Composition and Operation (Non-Statutory Committees) under II. Business Management Organization and Other Corporate Governance Systems regarding Decision Making, Execution of Business, and Oversight.

(v) For individual explanations upon the appointment of directors, please refer to the reference documents accompanying the Convocation Notice of the Annual General Meeting of Shareholders.

(URL: <https://www.mitsui-high-tec.com/ja/ir/cmeeting.php>)

[Supplementary Principle 3.1.3] Disclosure of sustainability initiatives

In March 2023 a Sustainability Report (first edition) was published to disclose the Company’s sustainability initiatives. With regard to risks and opportunities related to climate change, the Company will work to disclose climate-related information in accordance with the TCFD recommendations. Also note that the Company lists detailed information about its sustainability efforts on its website. (Sustainability Report: <https://www.mitsui-high-tec.com/ja/corporate/governance/>)

[Supplementary Principle 4.1.1] Scope of matters delegated by the Board of Directors to management

The Company has established Rules of the Board of Directors and Rules on Submissions to the Board of Directors to clarify matters to be deliberated by the Board of Directors. Authority with respect to other matters is delegated to the respective management level in accordance with the Rules of the Internal Approval System.

[Principle 4.9] Criteria for judging the independence of Independent Outside Directors and qualifications for the position

In light of the requirements for outside directors stipulated in the Companies Act and the independence criteria stipulated by the Tokyo Stock Exchange, candidates for independent outside director based on the standards for determining independence prescribed by the Company are reported to the Board of Directors following review by the Nomination Committee, and appointed by the Board of Directors based on the details of such reports.

Details are as described in 1. Organizational Composition and Operation (related to independent officers) and other matters pertaining to independent officers under II. Business Management Organization and Other Corporate Governance Systems regarding Decision Making, Execution of Business, and Oversight.

[Supplementary principle 4-10-1] Establishment of a nomination committee and a remuneration committee

Under the Board of Directors, a non-statutory Nomination Committee and Remuneration Committee have been established as advisory bodies to the Board of Directors, with the aim of strengthening the fairness, transparency and objectivity of procedures concerning the nomination of directors (including successor plans) and their remuneration, and helping to enhance the independence, objectivity and accountability of the Board of Directors’ functioning. To ensure the independence of these committees, three of the five members of each committee are independent outside directors, constituting a majority of each. Each committee decides its own draft report as its advice to the Board of Directors and furnishes the Board with said report. For details of the matters contained in these reports, please refer to 1. Organizational Composition and Operation (Non-Statutory Committees) under II. Business Management Organization and Other Corporate Governance Systems regarding Decision Making, Execution of Business, and Oversight.

[Supplementary principle 4.11.1] Disclosure of a skills matrix

Since the Group operates globally, the Company’s basic policy is to have a Board of Directors consisting of knowledgeable, experienced and competent Directors promoted from inside the Company and multiple Outside Directors who can actively express an opinions and raise issues in relation to the enhancement of governance from an outside independent perspective, to enable the Board of Directors to make decisions on business activities appropriately and flexibly and oversee execution, and the Company’s Articles of Incorporation stipulate that the Company shall have no more than 18 Directors.

The Company published a skills matrix in the Convocation Notice of the 89th Annual General Meeting of Shareholders held in April 2023.

Convocation Notice (URL: <https://www.mitsui-high-tec.com/ja/ir/cmeeting.php>)

[Supplementary principle 4.11.2] Concurrent positions held at other companies by Directors

Directors of the Company make the time and effort necessary to fulfil their roles and responsibilities properly. The Company checks concurrent positions held by Directors on a regular basis and describes concurrent positions held by Directors in the Convocation Notice of the Annual General Meeting of Shareholders every year.  
Convocation Notice (URL: <https://www.mitsui-high-tec.com/ja/ir/cmeeeting.php>)

[Supplementary principle 4.11.3] Analyzing and assessing the effectiveness of the Board of Directors

Since FY2019, the Company has conducted an assessment questionnaire regarding the effectiveness of the Board of Directors with the goal of improving the effectiveness of the Board and enhancing corporate value. For FY2022, questionnaire forms were distributed to Directors and a questionnaire regarding the composition, operations, systems, agenda and other matters concerning the Board of Directors was conducted in April. The results of the questionnaire were collated and analyzed by the administrative office of the Board of Directors, when the findings reported to and deliberated over by the Board of Directors. The assessment results indicated that overall, around 95% of responses rated effectiveness as having been maintained. The Company will continue working to improve the effectiveness of the Board of Directors in the future to achieve sustainable growth and enhancement of corporate value.

[Supplementary principle 4.14.2] Training policy for Directors

The Company provides Directors with information about business operations and opportunities for training by outside organizations to enable them to properly fulfil the roles and responsibilities expected of them. The Company will continue to respond in a similar manner.

[Principle 5.1] Policy for constructive dialogue with shareholders

The Company responds to reasonable requests for dialogue from shareholders. Systems and policies are as follows.

(i) Executive or Director who oversees dialogue with shareholders in general

General Manager of the Strategic Corporate Planning Unit (Director who oversees General Administration Unit)

(ii) Measures for organic integration of persons in charge of IR, accounts and other functions which assist with dialogue

In regard to information disclosure, the Public Relations & Investor Relations Department serves as a point of contact and works together with corporate planning, finance and accounting functions to disclose accurate information in a timely and appropriate manner.

(iii) Means of dialogue other than individual meetings

The Company holds financial results briefings in March and September (twice a year) as a means of dialogue other than individual meetings. The Company also holds meetings and phone interviews with shareholders and investors who ask for them. The Company makes timely and appropriate information disclosures on its website.

(iv) Measures to provide feedback on opinions and concerns understood through dialogue

When feedback is required on opinions and concerns, an exchange of opinions among executives is sought.

(v) Measures for the management of insider information during dialogue

The Company observes a silent period that commences on the day following the closing date of the fiscal period and ends on the day the related financial statements are released. During this period, the Company does not hold meetings or phone interviews with shareholders or investors or otherwise discuss business information with them. During dialogue, the Company keeps insider information in mind and strives to tighten insider information management.

## 2. Capital Structure

Percentage of Foreign Shareholders	Less than 10%
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### [Status of Major Shareholders]

Name / Company Name	Number of Shares Owned (Shares)	Percentage (%)
Mitsui Create Co., Ltd.	11,699,138	31.95
The Master Trust Bank of Japan, Ltd. (Trust account)	4,531,500	12.37
The Bank of Fukuoka, Ltd.	1,552,660	4.24
The Mitsui Foundation for the Advancement of Tool and Die Technology	1,452,000	3.96
Custody Bank of Japan, Ltd. (Trust account 4)	1,317,700	3.59
Yasunari Mitsui	1,161,706	3.17
Kozo Mitsui	956,337	2.61
Toyota Motor Corporation	935,500	2.55
Custody Bank of Japan, Ltd. (Trust account)	666,600	1.82
Nippon Life Insurance Company	638,140	1.74

Controlling Shareholder (except for Parent Company)	-----
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Parent Company	None
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### Supplementary Explanations

1. The capital structure described above applied as of January 31, 2023.
2. The percentage shareholdings of major shareholders shown above are calculated after excluding the Company's treasury shares (2,859,655 shares).
3. In the Change Report on Large Volume Holding dated February 6, 2023 used for public inspection, it was stated that Sumitomo Mitsui Trust Asset Management Co., Ltd. and its joint holder Nikko Asset Management Co., Ltd. possessed 2,077,100 shares as of January 31, 2023 (a share certificate holding ratio of 5.26%), but as the Company is not able to confirm the actual number of shares held as of January 31, 2023, the two companies were not included in the above Status of Major Shareholders.
4. In the Change Report on Large Volume Holding dated April 7, 2023, it was stated that FIL Investments (Japan) Limited possessed 3,703,600 shares as of March 31, 2023 (a share certificate holding ratio of 9.38%), but as the Company is not able to confirm the actual number of shares held as of January 31, 2023, the company was not included in the above Status of Major Shareholders.

## 3. Corporate Attributes

Listed Exchange and Market Division	Prime Market of Tokyo Stock Exchange, Fukuoka Stock Exchange
Fiscal Year-End	January
Sector Classification	Electric equipment
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	At least 1,000
Revenue (consolidated) for the Previous Fiscal Year	From ¥100 billion to less than ¥1,000 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 subsidiaries to less than 50 subsidiaries

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

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## 5. Special Circumstances which may have Material Impact on Corporate Governance

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## **II. Business Management Organization and Other Corporate Governance Systems regarding Decision Making, Execution of Business, and Oversight**

### **1. Organizational Composition and Operation**

Organization Form	Company with an Audit & Supervisory Committee
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#### **[Directors]**

Maximum Number of Directors Stipulated in Articles of Incorporation	18
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	13
Appointment of Outside Directors	Appointed
Number of Outside Directors	5
Number of Independent Directors/Auditors Designated from among Outside Directors	5

#### **Relationship with the Company (1)**

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Kuniaki Kumamaru	From another company												
Osami Yoshida	Certified Public Accountant						△						
Yoko Maeda	Attorney-at-law												
Tomoyuki Fukumoto	Scholar												
Tatsuya Motoda	Tax accountant												

\* **Categories for “Relationship with the Company”**

\* **“○” indicates that the director currently falls under the category, or did so recently, and “△” indicates that the director fell under the category in the past.**

\* **“●” indicates that a close relation falls under the category, or did so recently, and “▲” indicates that a close relation fell under the category in the past.**

a Executive (a person who executes business; hereinafter the same) of the Company or its subsidiaries

b Non-executive director or executive of a parent company of the Company

c Executive of a fellow subsidiary of the Company

d A party whose major client or supplier is the Company or an executive thereof

e Major client or supplier of the Company or an executive thereof

f Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/auditor

g Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a corporation)

h Executive of a client or supplier of the Company (which does not correspond to any of d., e., or f.) (the director himself/herself only)

i Executive of a company, between which and the Company outside directors/auditors are mutually appointed (the director himself/herself only)

j Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k Others

#### **Relationship with the Company (2)**

Name	Audit & Supervisory Committee Member	Designation as Independent Director/Auditor	Supplementary Explanation of the Relationship	Reasons for Nomination Appointment
Kuniaki Kumamaru	○	○	-----	At Toshiba Semiconductor Company, Mr. Kumamaru worked for many years as a factory manager as well as Director of Production and President of Toshiba Electronics Malaysia Sdn. Bhd., and has been involved not only in the development and manufacture of semiconductors but also in corporate management, and has extensive knowledge and experience in these areas. Mr. Kumamaru has been appointed as an Outside Director on the expectation that he will make use of

				<p>this knowledge to provide useful suggestions and opinions regarding the Company's overall management and reflect his extensive experience and insight in the auditing and supervision of the Company's management from an independent standpoint. Mr. Kumamaru meets the independent officer requirements and, judging that there is no risk of a conflict of interest arising between Mr. Kumamaru and general shareholders, the Company designated him as an independent officer.</p>
Osami Yoshida	○	○	<p>Mr. Osami Yoshida had been involved with the execution of business at Deloitte Touche Tohmatsu LLC, which is the Company's accounting auditor, but retired from the audit corporation in November 2013.</p>	<p>In addition to the extensive knowledge of an expert familiar with corporate accounting as a certified public accountant, Mr. Yoshida possesses keen insight into overall management and CSR matters. Mr. Yoshida has been appointed as an Outside Director on the expectation that he will make use of this knowledge to provide useful suggestions and opinions regarding the Company's overall management and reflect his extensive experience and insight in the auditing and supervision of the Company's management from an independent standpoint. Mr. Yoshida meets the independent officer requirements and, judging that there is no risk of a conflict of interest arising between Mr. Yoshida and general shareholders, the Company designated him as an independent officer.</p>
Yoko Maeda	○	○	-----	<p>Ms. Yoko Maeda is an attorney-at-law mainly dealing with the areas of international and domestic dispute resolution, and possesses extensive experience and a high level of expertise in litigation, risk management, international transactions and other areas. Ms. Maeda has been appointed as an Outside Director on the expectation that she will make use of this knowledge to provide useful suggestions and opinions regarding the Company's overall management and reflect her extensive experience and insight in the auditing and supervision of the Company's management from an independent standpoint. Ms. Maeda meets the independent officer requirements and, judging that there is no risk of a conflict of interest arising between Ms. Maeda and general shareholders, the Company designated her as an independent officer.</p>
Tomoyuki Fukumoto	○	○	-----	<p>Having served as head of the International Department at the Bank of Japan, Mr. Fukumoto possesses remarkable knowledge and extensive experience regarding international finance and economics, and is also well versed in business related to China and Asia as a university professor who researches Chinese finance and economics. Mr. Fukumoto has been</p>

				appointed as an Outside Director on the expectation that he will make use of this knowledge to provide useful suggestions and opinions regarding the Company's overall management and reflect his extensive experience and insight in the auditing and supervision of the Company's management from an independent standpoint. In addition, Mr. Fukumoto meets the independent officer requirements and, judging that there is no risk of a conflict of interest arising between Mr. Fukumoto and general shareholders, the Company designated him as an independent officer.
Tatsuya Motoda	○	○	---	In addition to expert knowledge and experience as a certified tax accountant, Mr. Tatsuya Motoda possesses extensive insight into overall management, and has been appointed as an Outside Director on the expectation that he will make use of this knowledge to provide useful suggestions and opinions regarding the Company's overall management and reflect his extensive experience and insight in the auditing and supervision of the Company's management from an independent standpoint. In addition, Mr. Motoda meets the independent officer requirements and, judging that there is no risk of a conflict of interest arising between Mr. Motoda and general shareholders, the Company designated him as an independent officer.

#### [Audit & Supervisory Committee]

##### Structure of the Audit & Supervisory Committee and Attributes of the Chairperson

	Audit & Supervisory Committee
Total Members	7
Standing Members	2
Internal Directors	2
Outside Directors	5
Chairperson	Internal Director

Presence of directors or employees to assist the Audit & Supervisory Committee in its duties	Yes
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##### Matters concerning the independence of said directors and employees from executive directors

An administrative office and full-time staff is assigned to assist the Audit & Supervisory Committee in its duties. The staff execute their duties under the direction and orders of the Audit & Supervisory Committee.

Matters concerning the appointment, transfer and other personnel rights of Audit & Supervisory Committee staff and evaluations of the staff are discussed in advance with the Audit & Supervisory Committee. In addition, full consideration is given to the experience and knowledge of staff upon their appointment.

##### Cooperation Between the Audit & Supervisory Committee, Accounting Auditor and Internal Audit Office

The accounting auditor, Internal Audit Office and Audit & Supervisory Committee shall endeavor to communicate and exchange information with one another.

**[Non-Statutory Committees]**

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Compensation Committee	Yes
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**Establishment of Non-Statutory Committees, Composition of Committee Members and Attributes of Committee Chairpersons**

	Non-statutory committee corresponding to a Nomination Committee	Non-statutory committee corresponding to a Remuneration Committee
Committee Name	Nomination Advisory Committee	Remuneration Advisory Committee
Total Members	5	5
Standing Members	0	0
Internal Directors	2	2
Outside Directors	3	3
Outside Experts	0	0
Others	0	0
Chairperson	Internal Director	Internal Director

**Supplementary Explanations**
**1. Nomination Advisory Committee (convenes at least twice a year in principle)**

The committee has been established as an advisory body to the Board of Directors, with the aim of strengthening the fairness, transparency and objectivity of procedures concerning the nomination of directors (including successor plans), and helping to enhance independence, objectivity and accountability in the functioning of the Board of Directors. The Board of Directors appoints five directors as committee members, and ensures that a majority of the members of the Nomination Advisory Committee are independent outside directors.

**[Criteria for Selection of Committee Members]**

- Internal directors: one representative director and executive director
- Independent Outside Directors: persons with experience and knowledge of corporate management, a global perspective, etc.

**[Chairperson]**

- The representative director shall chair the committee.

**[Advisory Matters]**

- Determination of policy for the appointment of directors
- Determination of draft proposals for the appointment and dismissal of directors
- Determination of draft proposals for the appointment of the representative director and executive directors
- Monitoring of development plans

**[Basic Policy on the Appointment of Directors]**

The Company maintains a basic policy of appointing human resources who will contribute to the sustainable development of the Group and enhance its corporate value in the medium-to-long-term as directors, and proposes candidates to the Board of Directors in light of the appointment criteria for each post. Also note that when appointing directors, consideration is also given to ensure that the balance and diversity of knowledge, experience and ability on the Board as a whole is appropriate.

**2. Remuneration Advisory Committee (convenes at least once a year in principle)**

The committee has been established as an advisory body to the Board of Directors, with the aim of strengthening the fairness, transparency and objectivity of procedures concerning the remuneration of directors, and helping to enhance independence, objectivity and accountability in the functioning of the Board of Directors. The Board of Directors appoints five directors as committee members, and ensures that a majority of the members of the Remuneration Advisory Committee are independent outside directors.

The committee deliberates over important matters concerning the remuneration of directors, including the compensation system for directors, the levels of compensation, and amounts of compensation calculated in accordance with the Officer Remuneration Regulations and other rules, and reports to the Board of Directors as a result.

**[Criteria for Selection of Committee Members]**

- Internal directors: 2 executive directors
- Independent Outside Directors: persons with experience and knowledge of corporate management, a global perspective, etc.

**[Chairperson]**

- The chairperson of the committee is appointed from among executive directors.



[Advisory Matters]

- Determinations regarding the compensation system for directors and compensation levels
- Determination of draft proposals for individual compensation amounts for directors other than Audit & Supervisory Committee Members
- Determination of draft proposals for limits to the compensation amounts of directors

3. Composition of Each Advisory Committee

[Nomination Advisory Committee]

Chairperson: Yasunari Mitsui (President and Representative Director)  
Committee Member: Kozo Mitsui (Executive Director)  
Committee Member: Kuniaki Kumamaru (Independent Outside Director)  
Committee Member: Osami Yoshida (Independent Outside Director)  
Committee Member: Tomoyuki Fukumoto (Independent Outside Director)

[Remuneration Advisory Committee]

Chairperson: Kozo Mitsui (Executive Director)  
Committee Member: Masanori Kuriyama (Executive Director)  
Committee Member: Osami Yoshida (Independent Outside Director)  
Committee Member: Yoko Maeda (Independent Outside Director)  
Committee Member: Tatsuya Motoda (Independent Outside Director)

**[Independent Directors/Auditors]**

Number of Independent Directors/Auditors	5
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**Matters Related to Independent Directors/Auditors**

In making determinations concerning the independence of outside officers, the Company appoints them in accordance with the criteria for independence set forth in the Companies Act and stock exchanges, and pursuant to the Company's own criteria. Also note that all outside officers who meet the criteria for independent officers are designated as independent officers.

<Criteria Concerning the Nomination and Independence of Outside Officers>

■ Selection Criteria for Outside Officers

The Company appoints outside directors from among those persons possessing any of the following professional backgrounds, abilities and other qualities, comprehensively taking into account their character, status of concurrent appointments as officers of other companies, their years of service as an outside director of the Company, and other factors.

1. Persons with experience being involved with company management
2. Legal experts such as attorneys-at-law
3. Persons with considerable knowledge of finance, taxation or accounting matters
4. Persons with knowledge or experience concerning industries related to the Company's business activities, such as semiconductor-related industries or automotive-related industries
5. Persons with extensive experience in research and development
6. Other persons with professional backgrounds or capabilities similar to those listed above.

■ Criteria Concerning Independence

In addition to independence criteria set forth by financial instruments exchanges, independence is determined after verifying that none of the following criteria apply.

1. A person who currently serves or has served as an executive director, executive officer, manager or other employee (collectively referred to as a "executive officer or employee" hereafter) of the Company or a subsidiary of the Company in the past ten years.
2. A person or the executive officer or employee of a corporate entity that holds at 10% or more of total voting rights in the Company, whether directly or indirectly.
3. A person for whom the Company or a subsidiary of the Company is a major trading partner (Note 1) or an executive officer or employee of said entity, or a person who is a major trading partner of the Company or a subsidiary of the Company (Note 2) or who is an executive officer or employee of said entity.
4. An accounting auditor of the Company or a subsidiary of the Company, or an employee, etc. of said accounting auditor.
5. A consultant, attorney, certified public accountant, tax accountant or other professional who receives more than 10 million yen of monetary consideration or other property from the Company or a subsidiary of the Company each year, excluding officer remuneration. (When the party receiving such property is a corporation, partnership or other organization, this shall refer to any person belonging to said organization)
6. A person who has received donations or subsidies exceeding 10 million yen a year from the Company or a subsidiary of the Company, or the executive officer or employee of such an entity.  
\* For the above items 2 through 6, the applicable period shall be the past three years.
7. A spouse or relative within the second degree of a person to whom any of items 1 through 6 apply. However, if said person is an executive officer or employee, this shall only apply to an important executive officer or employee (Note 3).

8. Any other person who may have a permanent conflict of interest with general shareholders as a whole, even when none of items 1 through 7 apply.

Note 1: In the most recent business year, a trading partner to which the Company or a subsidiary of the Company has made payments that correspond to at least 2% of the trading partner's annual consolidated net sales.

Note 2: In the most recent business year, a trading partner that has made payments to the Company or a subsidiary of the Company that correspond to at least 2% of the annual consolidated net sales of the Company, or a trading partner which, in the most recent business year, has provided monetary financing that corresponds to at least 2% of the consolidated total assets of the Company.

Note 3: Of executive officers and employees, a person who executes important business, such as a director (excluding an outside director), executive officer, manager or department head.

**[Incentives]**

Implementation of Measures to Provide Incentives to Directors and/or Executive Officers (Shikkoyaku)	Introduction of a Performance-linked Compensation System
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**Supplementary Explanation**

Please refer to II. 1. Remuneration for Directors/Executive Officers.

Recipients of Stock Options	
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**Supplementary Explanation**

**[Remuneration for Directors/Executive Officers]**

Disclosure of Individual Directors' Remuneration	No individual disclosure
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**Supplementary Explanation**

Total amount of remuneration for Directors and Audit & Supervisory Board Members (FY2022)

22 Directors and Audit & Supervisory Board Members: 346 million yen (including 10 Outside Directors and Outside Audit & Supervisory Board Members: 41 million yen)

(Breakdown)

- 11 Directors (excluding Audit & Supervisory Committee Members): 277 million yen (including 3 Outside Directors: 6 million yen)

- 7 Directors (Audit & Supervisory Committee Members): 54 million yen (including 5 Outside Directors: 29 million yen)

- 4 Audit & Supervisory Board Members: 14 million yen (including 2 Outside Audit & Supervisory Board Members: 5 million yen)

(Notes) 1. At the 88th Annual General Meeting of Shareholders held on April 22, 2022, it was resolved that the Company would shift from the structure of a company with an Audit & Supervisory Board to a company with an Audit & Supervisory Committee. The number of Audit & Supervisory Board Members and compensation paid to them, etc. relates to the period prior to this transition. The number of Directors (excluding Audit & Supervisory Committee Members) and the compensation paid to them, etc. relate to the periods before and after this transition. The number of Directors (Audit & Supervisory Committee Members) and the compensation paid to them, etc. relates to the period after this transition.

2. The above includes two Directors and four Audit & Supervisory Board Members (two of whom were Outside Audit & Supervisory Board Members) who retired upon the expiry of their terms of office at the close of the 88th Annual General Meeting of Shareholders held on April 22, 2022.

3. As part of efforts to revise the officer remuneration system, at the 88th Annual General Meeting of Shareholders held on April 22, 2022, it was resolved to eliminate the system of retirement benefits for Directors and Audit & Supervisory Board Members as of the conclusion of the meeting, to pay final retirement benefits to Directors and Audit & Supervisory Board Members who continued to be appointed Directors following the conclusion of the meeting (with the payment timing to be at the time of retirement), and to present retirement benefits to the Directors and Audit & Supervisory Board Members who had retired.

4. Performance-linked compensation, etc.

Performance-linked bonuses are an incentive to achieve short-term management targets, and are based on net income, which the Company regards as an important management indicator for evaluating Company performance for which top management bears ultimate responsibility.

Performance-linked stock compensation is an incentive to achieve medium- to long-term management targets, and is based on net sales and operating profit, which the Company regards as important management indicators for evaluating Company performance for which top management bears ultimate responsibility. Note that the monetary amount of stock compensation is the number of granted points calculated for the fiscal year in question multiplied by the market value of the Company's shares at the time the Board Benefit Trust acquired them (11,640 yen per share), and lists the amount recorded as the provision for share awards for directors (and other officers).

5. Non-financial compensation, etc.

Non-financial compensation, etc. consists of the Company's shares, and no shares were delivered in the fiscal year under review.

The total amount of remuneration for directors is listed in the Securities Report and the convocation notice for the Annual General Meeting of Shareholders.

In addition, as there are no persons receiving consolidated remuneration, etc. in excess of 100 million yen, individual disclosures of remuneration amounts are not made.

At the 88th Annual General Meeting of Shareholders held on April 22, 2022, it was resolved that the total amount of remuneration, etc. for Directors (excluding Directors who are Audit & Supervisory Committee Members) shall be within 400 million yen annually (up to 50 million yen of which shall be paid to outside directors), and that the total amount of remuneration, etc. for Directors who are Audit & Supervisory Committee Members shall be within 100 million yen annually (up to 60 million yen of which shall be paid to outside directors).

[Matters Resolved at the Annual General Meeting of Shareholders Regarding Remuneration for Directors and Audit & Supervisory Board Members]

<Before Transition to a Company with an Audit & Supervisory Committee>

The upper limit of the annual amount of remuneration for Directors and Audit & Supervisory Board Members was determined by resolution at the 73rd Annual General Meeting of Shareholders held on April 24, 2007 to be 350 million yen for Directors (however not including the employee salary portion of Directors who serve concurrently as employees), and 120 million yen for Audit & Supervisory Board Members, respectively. As of the conclusion of this meeting, there were five Directors and five Audit & Supervisory Board Members.

<After Transition to a Company with an Audit & Supervisory Committee >

The upper limit of the amount of remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members) shall be 400 million yen per year (up to 50 million yen of which shall be paid to outside directors), was resolved at the 88rd Annual General Meeting of Shareholders held on April 22, 2022 (however not including the employee salary portion of Directors who serve concurrently as employees). As of the conclusion of this meeting, there were six Directors (excluding Directors who are Audit & Supervisory Committee Members), none of whom are Outside Directors. Separately, the meeting resolved to adopt a new performance-linked stock compensation system (BBT, or "Board Benefit Trust") for Executive Director compensation. The upper limit for the number of Company shares issued to Executive Directors is 36,000 shares per fiscal year. As of the conclusion of this meeting, there were six Executive Directors (none of whom were Outside Directors).

The upper limit of the amount of remuneration for Directors who are Audit & Supervisory Committee Members shall be 100 million yen annually (up to 60 million yen of which shall be paid to outside directors), was resolved at the 88rd Annual General Meeting of Shareholders held on April 22, 2022. As of the conclusion of this meeting, there were seven Directors who are Audit & Supervisory Committee Members (including 5 Outside Directors).

Specific amounts of remuneration, etc. for Directors are determined by the Board of Directors within the scope of remuneration resolved by the General Meeting of Shareholders. In addition, to strengthen objectivity of the Board of Directors' functioning with respect to remuneration, the Company has established a non-statutory Remuneration Advisory Committee. The Remuneration Advisory Committee is made up of a majority of Outside Directors and is chaired by the Director in charge of the General Administration Unit. The committee is consulted on policies concerning decisions regarding the remuneration of Directors and on the details of individual Directors' remuneration, and after deliberating over the validity of the processes for determining remuneration, provides opinions, playing the role of strengthening the fairness and objectivity of matters concerning remuneration.

[Retirement Benefits Paid to Directors and Audit & Supervisory Board Members in the Fiscal Year Under Review]

In addition to the preceding, in accordance with a resolution made by the 88th Annual General Meeting of Shareholders held on April 22, 2022, the retirement benefits paid to Directors and Audit & Supervisory Board Members who retired at the conclusion of the meeting are as follows.

Two retiring Directors: 58 million yen

Two retiring Audit & Supervisory Board Members: 12 million yen (which was 12 million yen paid to two Outside Audit & Supervisory Board Members)

For details, please refer to the Convocation Notice for the 89th Annual General Meeting of Shareholders (URL: <https://www.mitsui-high-tec.com/ja/ir/cmeeeting.php>)

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

(1) Basic Policy on the Remuneration of Directors

The following basic policy is observed when determining the remuneration of the Company's officers.

- i. Ensure transparency and objectivity regarding remuneration, and set levels appropriate to the roles and responsibilities of each officer.

- ii. Remuneration should help adequately demonstrate management supervisory functions.
- iii. To realize improvements to corporate value through the growth of global business, remuneration should promote the performance of duties in a manner consistent with the Company's management philosophy and management strategies, and provide the motivation to achieve management objectives.
- iv. Remuneration should facilitate the securing of the human resources needed to achieve sustainable growth and enhance corporate value in the medium to long term.
- v. Remuneration levels should be set with consideration to payment levels at other companies in addition to the management environment and market trends.
- vi. Consideration of the content and amount of remuneration, etc. should make use of external expert organizations as needed.

## (2) Remuneration Framework

- i. Officer Remuneration Regulations and Officer, etc. Stock Benefit Regulations, which include methods for calculating the remuneration of individual Company officers by the Board of Directors, have been established by resolution of the General Meeting of Shareholders.
- ii. The remuneration of Executive Directors comprises fixed compensation as well as performance-linked bonuses and performance-linked stock compensation, both of which are linked to business performance. The remuneration of non-executive directors such as outside directors comprises only fixed compensation.
- iii. Fixed compensation is monthly, and is determined for each position based on the officer's roles and responsibilities and also considering payment levels at other companies.
- iv. Payment amounts for performance-linked bonuses are determined by multiplying a standard amount determined for each position by the degree of goal attainment.
- v. Performance-linked stock compensation  
Performance-linked stock compensation involves provisionally granting a set number of points based on an officer's position and the degree of business performance attainment in accordance with the Officer, etc. Stock Benefit Regulations. Points that have been provisionally granted to Executive Directors are adjusted over a period of three fiscal years from the start date of the fiscal year in question to the end of the last fiscal year ending within three years, in light of factors including the degree to which business performance goals have been attained during each of those fiscal years. The points granted to Executive Directors correspond to Company shares at a 1:1 ratio, and shares equivalent to the cumulative number of points granted are issued.

## (3) Remuneration levels

In considering levels of remuneration for Directors, objective remuneration research data from specialist external organizations is utilized, and the officer remuneration levels of other corporations of the same size (selected according to net sales, market capitalization and number of employees) are referenced as benchmarks. For determining the amount of remuneration, specific details for the remuneration amounts of each officer are determined by the Board of Directors following a review by the Remuneration Advisory Committee, a majority of whose members are Outside Directors.

## (4) Business performance indicators related to performance-linked compensation

For business performance indicators related to performance-linked compensation key management indicators for evaluating business performance are set in order for the Company's top management to take ultimate responsibility as incentives for achieving the Company's management goals.

### [Performance-linked bonuses]

- Business performance indicators  
Net income \* Payment amount determined for each position
- Payment timing  
Amounts for the current fiscal year are paid within one month of the date of the General Meeting of Shareholders in the following year
- Grounds for return of remuneration  
In the event that an Executive Director is dismissed, or in the event that in the time up to when an Executive Director steps down from their post they engage in conduct that causes material damage to the Company or other illegal conduct similar to said conduct, by resolution of the Board of Directors, all or part of the bonuses they are to be paid may be reduced.

### [Performance-linked stock compensation]

- Business performance indicators  
Net sales, operating profit
- Payment timing  
Upon stepping down, points are converted to shares at a ratio of 1:1, and the relevant shares are issued
- Grounds for return of remuneration  
In the event that an officer due to receive remuneration is dismissed, or in the event that in the time up to when they step down from their post they engage in conduct that causes material damage to the Company or a Group company, or other illegal conduct similar to said conduct, by resolution of the Board of Directors of the Company or relevant Group company, all or part of the shares or monetary compensation the officer was to receive may be reduced.

(5) Percentages of remuneration by type

Regarding the percentages of remuneration according to each type for Executive Directors, levels at other companies are given consideration so that the percentages are appropriate as incentives that help enhance the corporate value of the Company. After a review by the Remuneration Advisory Committee, an advisory committee to the Board of Directors with a majority of members being Outside Directors, the Board of Directors determines the percentages, taking into consideration the review performed by the committee.

The percentages of remuneration by type for each position are as follows. The greater the results and responsibilities demanded of a position, the higher the percentage of incentive-oriented remuneration.

- Representative director

Fixed compensation: 45.0%, performance-linked bonus: 27.5%, performance-linked stock compensation: 27.5%

- Executive director (managing) Fixed compensation 54.0%, performance-linked bonus: 29.9%, performance-linked stock compensation: 16.1%

- Executive director Fixed compensation: 56.0%, performance-linked bonus: 30.8%, performance-linked stock compensation: 13.2%

(6) Performance-linked bonus system

Net income targets are set for each fiscal period, with performance-linked bonuses calculated by multiplying a standard amount for each position by a coefficient based on evaluation indicators.

(7) System for performance-linked stock compensation

Performance-linked stock compensation uses a Board Benefit Trust with the aim of enhancing willingness to contribute to the sustained enhancement of corporate value. Regarding stock benefits, for the standard number of points calculated based on the reference amount for each position, items such as net sales are operating profit are set as business performance targets for each medium-term management plan, with the number of points multiplied by the business performance attainment rate granted. At the end of the evaluation period (three years), shares in the Company are issued based on the number of granted points. Also note that in the event an eligible officer steps down from their post during the evaluation period, reasonable adjustments are made as needed.

**[Supporting System for Outside Directors]**

To provide support, dedicated staff within the Corporate Planning Division and Internal Audit Department are assigned to assist the Audit & Supervisory Committee.

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

At the 88th Annual General Meeting of Shareholders held on April 22, 2022, it was resolved that the Company will shift from the structure of a “company with an Audit & Supervisory Board” to a “company with an Audit & Supervisory Committee.” This change will be made to further enhance the effectiveness of the auditing and oversight functions of the Board of Directors by having Audit & Supervisory Committee Members with voting rights on the Board of Directors take responsibility for auditing the appropriateness and validity of the execution of business, and to enhance flexibility in the execution of business.

(i) Board of Directors

The Company’s Board of Directors is made up of six Directors who are not Audit & Supervisory Committee Members and seven Directors who are Audit & Supervisory Committee Members (of whom five are Outside Directors). The Board of Directors is chaired by President and Representative Director Yasunari Mitsui. It convenes every month in principle, and makes decisions on important business execution and other statutory matters, and also oversees business execution.

In light of its fiduciary responsibility to shareholders, in addition to deciding on important matters of business execution based on the strategic direction of the Company, the Board of Directors fulfills its roles and responsibilities to engage in constructive discussion, endeavoring to achieve the sustainable growth of the Company and enhance corporate value in the medium and long term. In the fiscal year under review, meetings of the Board of Directors were convened 16 times. Additionally, in light of the need to ensure diversity in terms of gender, international balance and other factors, the Board of Directors has been structured appropriately based on the business environment and disclosed as a skills matrix.

(ii) Audit & Supervisory Committee

The Audit & Supervisory Committee comprises seven members (five of whom are Outside Directors), with Director and Full-time Audit & Supervisory Committee Member Chiaki Kubota appointed chair. The Board convenes once every three months in principle. The Audit & Supervisory Committee acts in accordance with the audit policies, plans and divisions of responsibilities, etc. it has designated internally to audit and supervise the Board of Directors’ decision making and the Directors’ execution of their duties. The Audit & Supervisory Committee has rights granted by law and the Articles of Incorporation, including the right to express opinions regarding the appointment, dismissal and remuneration of Directors who are not Audit & Supervisory Committee Members at the General Meeting of Shareholders.

(iii) Nomination Advisory Committee

The committee has been established as an advisory body to the Board of Directors, with the aim of strengthening the fairness, transparency and objectivity of procedures concerning the nomination of directors (including successor plans), and helping to enhance independence, objectivity and accountability in the functioning of the Board of Directors. The committee deliberates over and develops proposals regarding standards and methods concerning the appointment of candidates for Director, and deliberates over drafts for candidate selection.

(iv) Remuneration Advisory Committee

The committee has been established as an advisory body to the Board of Directors, with the aim of strengthening the fairness, transparency and objectivity of procedures concerning the remuneration of directors, and helping to enhance independence, objectivity and accountability in the functioning of the Board of Directors. The committee deliberates over and develops proposals concerning Director remuneration levels and various systems related to evaluation and remuneration.

### **3. Reasons for Adoption of Current Corporate Governance System**

In a company with an Audit & Supervisory Committee, the Board of Directors is able to delegate important decisions on the execution of business to Executive Directors, enabling swifter management decisions and the flexible execution of business. At the same time, as the Board of Directors is thus freed to concentrate more on discussions and monitoring regarding company management policy and business strategy, this also leads to an enhancement of the Board of Directors functioning. Furthermore, since Directors who are Audit & Supervisory Committee Members have voting rights in Board of Directors meetings, and as part of the Audit & Supervisory Committee have the right to share their opinions at the General Meeting of Shareholders concerning the appointment and remuneration of Directors, this structure is expected to produce strong supervisory functions with respect to Executive Directors.

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

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

	Supplementary Explanations
Early Notification of General Shareholders Meeting	To ensure the participation of as many shareholders as possible, the convocation notice is posted on the Company website and TSE website (TSE listed company information service) ahead of the statutory deadline and mailed out ahead of the statutory deadline, with consideration paid to informing prospective attendees of details including the location and agenda items at an early stage.
Scheduling Annual General Meeting of Shareholders Avoiding the Peak Days	The Company's fiscal year ends on January 31 and the General Shareholders Meeting is held in April each year, which does not coincide with the peak days.
Exercising of voting rights by electronic means	Voting rights can also be executed through the use of a dedicated website for the exercising of voting rights designated by the Company.
Participation in an electronic voting platform and other initiatives to improve the environment for institutional investors to exercise their voting rights	The Company participates in the Electronic Voting Platform for institutional investors operated by ICJ Incorporated.
Provision of summaries of convocation notices in English	Convocation notices are partially translated into English and posted to the Company website.

#### **2. IR Activities**

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	The Company publishes its Disclosure Policy on its website.	
Holding briefing sessions for analysts and institutional investors periodically	The Company holds financial results briefings twice a year.	Yes
Posting of IR Materials on Website	The Company posts financial information, securities reports, its medium-term management plan and other disclosures on its website.	
Establishment of Department and/or Manager in Charge of IR	Contact: Public Relations & Investor Relations Group, Public Relations & Investor Relations Department	

#### **3. Measures to Ensure Due Respect for Stakeholders**

	Supplementary Explanations
Internal Rules Stipulated for Respecting the Position of Stakeholders	The Company has stipulated the Mitsui High-tec Group Code of Conduct and posted it on the Company website.
Implementation of Environmental Activities, CSR Activities, etc.	The Company engages in environmentally responsible manufacturing and develops and sells resource- and energy-saving products.
Development of Policies on Information Provision to Stakeholders	The Disclosure Policy is posted on the Company website.

## **IV. Matters Related to the Internal Control System**

### **1. Fundamental Views on Internal Control System and the Progress of System Development**

#### Fundamental Views on Internal Control System

- (1) Systems necessary to ensure that the execution of duties by Directors and employees complies with laws and regulations and the Articles of Incorporation
  - 1) Since its foundation, the Company has adopted “Take The High Road” as a principle.
  - 2) Based on this principle, the Company has set out the Mitsui High-tec Group Code of Conduct to ensure that officers and employees act in compliance with laws and regulations, the Articles of Incorporation and social norms, and this provides a basis for action.
  - 3) For the thorough implementation of compliance activities, the Company establishes a Compliance Committee, which is chaired by the President and composed of Executive Directors and the Full-time Audit & Supervisory Committee Member, to implement companywide initiatives.
  - 4) Internal audit business units audit the status of compliance activities in cooperation with a controlling section or independently. The results of audits shall be reported to the Board of Directors and Audit & Supervisory Committee.
  - 5) The Company also obtains information about breaches of the Mitsui High-tec Group Code of Conduct and other concerns from employees via a hotline and other means, conducts investigations and seeks to prevent recurrence.
  - 6) To ensure the reliability of financial reporting, the Company establishes internal controls over financial reporting and assesses the development and operation of such systems on a regular basis and also seeks to maintain and improve them.
  - 7) The Group has absolutely no connections with antisocial forces and groups that threaten social order and sound corporate activities, and officers and employees resolutely oppose them and deal with them as an entire organization. The Company also collaborates with police and other external specialist organizations to deal with antisocial forces.
- (2) System to maintain and manage information concerning the performance of duties by directors
  - 1) Information about the execution of the duties of directors is recorded and stored in documents or electromagnetic media in accordance with the Document Management Regulations and other internal rules.
  - 2) Directors (including Audit & Supervisory Committee Members) shall have constant access to the information.
- (3) Regulations and other systems for managing the risk of loss
  - 1) The Risk Management Regulations, which set out matters with respect to the risk management of the Group, stipulates the person responsible for risk management for each business unit and Group company, to take action to address assumed risks. The Internal Audit Department manages the risks of the entire Group in a comprehensive and integrated manner.
  - 2) Each section in charge establishes rules and guidelines and provides training on risks in relation to compliance, the environment, disasters, quality, information security, export control and other matters.
  - 3) In the event of the materialization of a risk such as a serious accident, disaster or misconduct, the Company establishes a task force based on the Risk Management Regulations to deal with the crisis and takes action quickly to prevent damage and an escalation of damage.
- (4) System to ensure the efficient execution of duties by the directors
  - 1) The Board of Directors sets company-wide goals to be shared by all employees including Directors.
  - 2) Executives such as the General Managers of Divisions and business departments execute business by determining specific goals for each business unit to achieve such goals and efficient methods for achieving them.
  - 3) Executives such as the General Managers of Divisions and business departments carry out checks and provide guidance with accuracy to make sure that employees deal with business correctly and quickly, taking purposiveness and efficiency into consideration.
  - 4) The Board of Directors reviews progress with the achievement of goals on a regular basis and seeks to increase companywide business efficiency.
- (5) System to Ensure Appropriateness of Operations in the Group Consisting of the Company and Its Subsidiaries
  - 1) The Company makes all Group companies comply with the Mitsui High-tec Group Code of Conduct, monitors and addresses group risks, and develops regulations and establishes systems to ensure the appropriateness and efficiency of operations.
  - 2) The Company instructs overseas Group companies to establish internal control systems based on the laws and regulations of the countries in which they are located.
  - 3) Group companies conduct transactions in an appropriate manner pursuant to the previous paragraph.
  - 4) Based on reports on the status of execution of duties at Group companies obtained through meetings for reporting business results and other means, the Company provides guidance to ensure appropriate and efficient management at Group companies in accordance with respective responsibilities.
- (6) Matters concerning Directors and employees (“assistants,” hereafter) who are to assist the Audit & Supervisory Committee in its duties, matters concerning the independence of assistants from other Directors (excluding Directors who are Audit & Supervisory Committee Members), and matters on ensuring the effectiveness of orders issued to assistant to the Audit & Supervisory Committee.
  - 1) The Company assigns staff within the Internal Audit Department to assist the Audit & Supervisory Committee, in order to strengthen coordination between the Audit & Supervisory Committee and the Internal Audit Department.



- 2) The Audit & Supervisory Committee may issue orders and instructions to Audit & Supervisory Committee staff within the Internal Audit Department, and said employees may not receive orders or instructions from officers such as Executive Directors with regard to those duties.
  - 3) Personnel matters concerning Audit & Supervisory Committee staff within the Internal Audit Department shall be determined in advance through consultation with the Full-time Audit & Supervisory Committee Member.
- (7) Following system and other systems regarding reporting to the Audit & Supervisory Committee
- Structure for Directors (excluding Directors who are Audit & Supervisory Committee Members) and employees to report to the Audit & Supervisory Committee
  - System for the Directors, etc. of subsidiaries, employees and others who have received reports from said persons to report to the Audit & Supervisory Committee
  - System to ensure that a person who has made a report is not treated disadvantageously on the grounds of having made such a report
- 1) Directors and employees promptly report to the Audit & Supervisory Committee matters prescribed by law and also matters which will significantly impact on the management or business results of the Company and the Group, the implementation status of internal audits, the status of compliance activities and other relevant information.
  - 2) Officers and employees of the Company and Group companies or persons to whom they have reported report to the Company's Audit & Supervisory Committee Members matters which might be seriously damaging to the Company or Group companies.
  - 3) The Company does not treat persons who made the reports described in 1) and 2) above disadvantageously on the grounds that they made such reports.
  - 4) The method of reporting shall be determined through consultation between the Board of Directors and the Audit & Supervisory Committee.
- (8) Matters concerning policies on the handling of costs and debts arising from the Audit & Supervisory Committee discharging its duties (limited to matters that concern the Audit & Supervisory Committee executing its duties)
- 1) The Company's policy concerning the treatment of debts arising related to the performance of duties by Audit and Supervisory Committee Members is to pay debts as necessary and reasonable in accordance with its various regulations.
- (9) Other systems for ensuring that audits by the Audit & Supervisory Committee are carried out effectively
- 1) The Audit & Supervisory Committee receives explanations of details of accounting audits from the accounting auditor and details of operation audits from internal audit business units and seeks mutual cooperation including the exchange of information.
  - 2) The Audit & Supervisory Committee presents any matters identified which require improvement as a company to the Board of Directors, requests measures for their improvement and progress reports, and also puts forward opinions as the Audit & Supervisory Committee.
  - 3) The Audit & Supervisory Committee shall exchange opinions with the Board of Directors and the Representative Director as required.

#### - Internal Control System Development Status

Pursuant to the Companies Act, the Company's Board of Directors is obligated to develop "systems necessary to ensure that the execution of the duties by the directors complies with the laws and regulations and the articles of incorporation, and other systems prescribed by Ministry of Justice Order as systems necessary to ensure the properness of operations of a Stock Company and operations of group of enterprises consisting of the Stock Company and its Subsidiary Companies." Accordingly, the Company has decided on a basic policy on the development of systems to be developed and maintained in the corporate group comprising the Company and its subsidiaries (Group companies) by resolution of the Board of Directors, and revisions to the systems will also be made as needed by the Board of Directors.

The Company recognizes the importance of corporate ethics predicated on the observance of laws and regulations, and sees it as an important issue to enhance corporate value through swift decision making consistent with changing social and economic environments and improvements to the soundness of management. Building and operating an internal control system is one of the important measures for dealing with this issue, and the Company believes it is necessary to build and maintain such a system based on the recognition of its essential nature.

From the perspectives of ensuring the effectiveness of business execution, retaining and management information concerning the execution of duties by Directors, compliance, the management of loss and risk, ensuring the trustworthiness of financial reports, and the management of Group companies, the Company strives to enhance and upgrade its internal control system to help ensure appropriate business activities across the Group.

#### - Risk Management System Development Status

The Company observes laws, regulations and other social norms, and has made it its code of conduct to contribute to society through its business activities. The Company has established the Mitsui High-tec Group Code of Conduct serving as the code of conduct for all officers and employees, distributes booklets containing the code, and conducts regular training related to it. As an organization promoting compliance with and implementation of the code, the Compliance Committee has been established in an effort to more thoroughly pursue law-abiding management.

In addition, to promptly and accurately deal with various risks which could have a serious impact on management, the Company has established Risk Management Regulations and worked to develop a risk management system. Risks in the Group are identified, assessed and reported to the Board of Directors. For each serious risk, the department responsible for it takes the central role in promoting risk management activities as part of efforts to mitigate and avoid risks.

- Development Status of System to Ensure the Appropriateness of Operations at Subsidiaries

The Company makes all Group companies comply with the Mitsui High-tec Group Code of Conduct, monitors and addresses group risks, develops regulations and establishes systems to ensure the appropriateness and efficiency of operations, and provides guidance for overseas Group companies to develop and operate internal control systems that comply with the laws, regulations and other requirements in the countries where they operate. In addition, based on reports on the status of execution of duties at Group companies obtained through meetings for reporting business results and other means, the Company provides guidance to ensure appropriate and efficient management at Group companies in accordance with respective responsibilities.

## **2. Fundamental Approach to Eliminating Anti-Social Forces and State of Related Efforts**

### **(1) Fundamental Approach**

The Company adopts the basic policy of having no ties whatsoever with antisocial forces and groups that threaten social order and sound corporate activities and taking a resolute stance against such forces, without fearing them.

### **(2) State of Related Efforts**

The Company does not leave individual officers and employees isolated in dealing with intrusions of organized crime into civic life, but rather deals with them as an entire organization and company under the leadership of the General Affairs Control Division of the General Administration Unit. The Company also adopts a framework for dealing with antisocial forces in close collaboration with the police and other external specialist organizations.

## **V. Other**

### **1. Adoption of Anti-Takeover Measures**

Adoption of Anti-Takeover Measures	Not adopted
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#### **Supplementary Explanation**

The Company is researching and considering anti-takeover measures with reference to the Companies Act and requirements of the TSE and others.

### **2. Other Matters Concerning Corporate Governance System**

Internal systems for timely disclosure of corporate information is as follows.

The Company declares in the Mitsui High-tec Group Code of Conduct that it will disclose corporate information about the Company and Group companies to shareholders and investors in an appropriate, fair and timely manner in accordance with relevant laws and regulations and the rules of securities exchanges, and it endeavors to put the code into practice.

The Company also established the Information Disclosure Committee in 2005 to further enhance the system for timely and appropriate disclosure of corporate information and has sought to improve the quality and transparency of disclosed information. The Company adopts a system under which corporate information of the Company and Group companies is always reported to the Information Disclosure Committee by those in charge of collecting and relaying information (such as general managers of administration business units, general managers of business departments and presidents of groups companies) and is centrally managed.

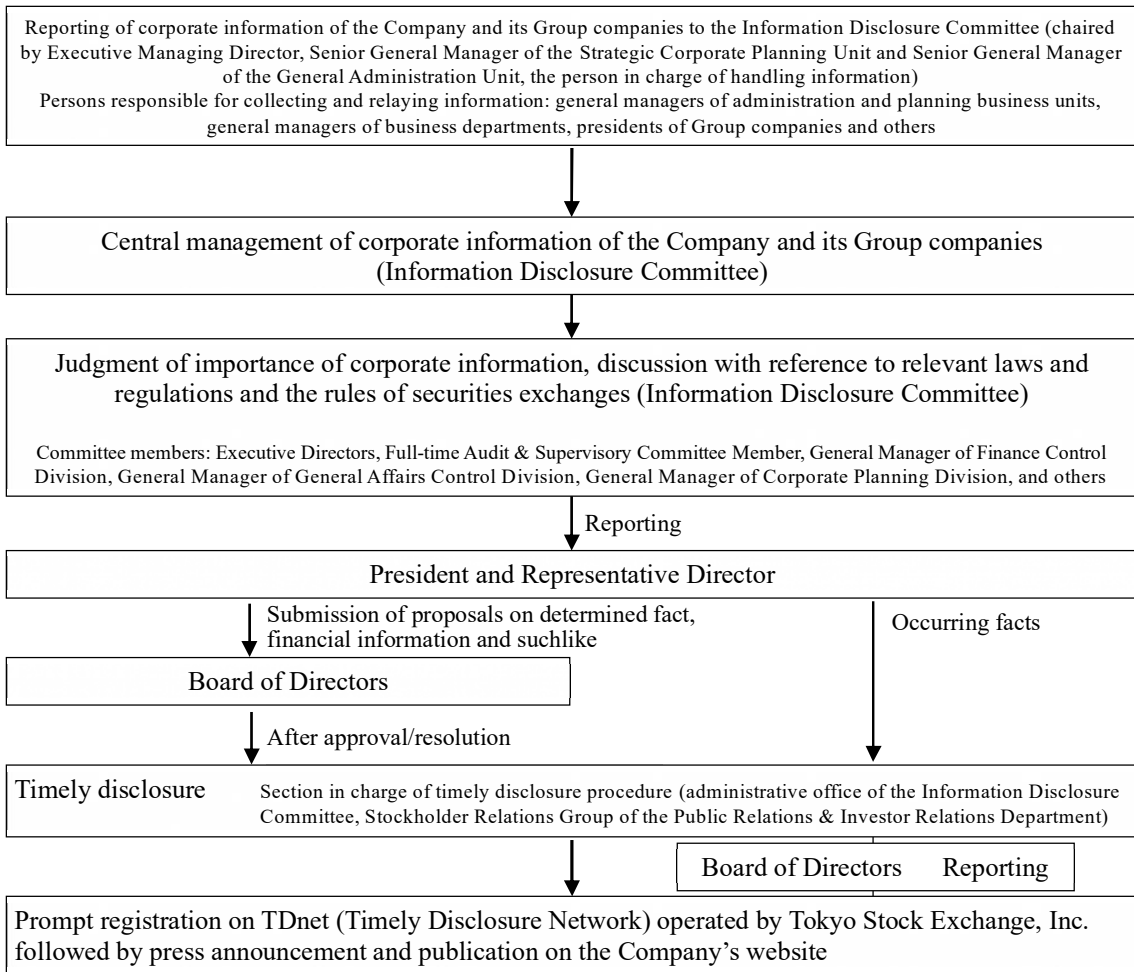
The Information Disclosure Committee judges the importance of corporate information and considers whether information requires timely disclosure through discussion in light of relevant laws and regulations and the rules of securities exchanges. Additionally, the Company declares that should any facts arise that constitute material corporate information and require urgency, those facts shall be disclosed without delay after being reported by the chairperson (Executive Managing Director, Senior General Manager of the Strategic Corporate Planning Unit and Senior General Manager of the General Administration Unit) to the President and Representative Director, and the Full-time Audit & Supervisory Committee Member.

Any proposals requiring disclosure under relevant laws and regulations or the rules of securities exchanges which are approved or resolved (determined facts, financial information, etc.) by the Board of Directors are disclosed in an appropriate manner promptly upon resolution.

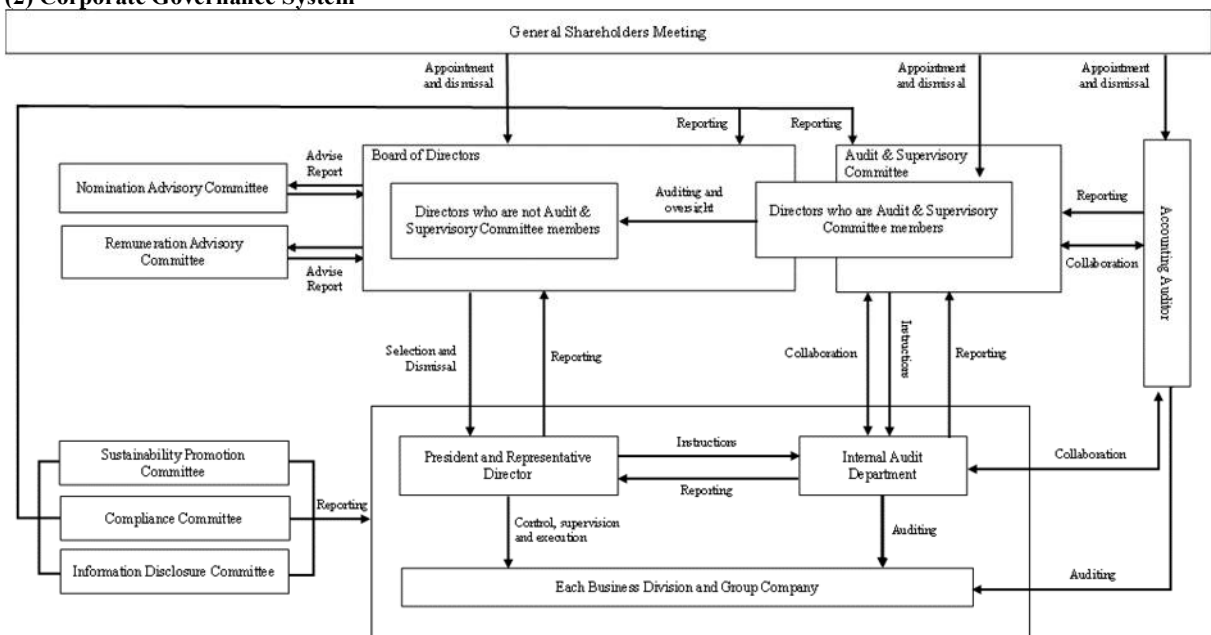
At the same time, since the timely disclosure of corporate information depends largely on the awareness/attitude of the President and Representative Director who is ultimately responsible for internal control, the (two) full-time Audit & Supervisory Committee Members play a central role in carrying out systematic and comprehensive audits of the status of business execution and in endeavoring to maintain and improve the soundness of operations.

A diagram of the Company's internal systems for timely disclosure and corporate governance system can be found on the next page.

**(1) Internal systems for timely disclosure**



**(2) Corporate Governance System**



End