

**AICHI CORPORATION**

**Business Report**

(English Translation)

March 31, 2024

# 1 Current Status of the Corporate Group

## (1) Business Conditions for the Consolidated Fiscal Year under Review

### (i) Business progress and results

During the consolidated fiscal year under review, the Japanese economy showed a recovery trend, renewing the Nikkei Stock Average to the record high in 34 years and gradually accelerating the normalization of economic and social activities, backed by increased inbound tourism demand due to the removal of movement restrictions for COVID-19 and other factors as well as the favorable business performance. In addition, with the lifting of the Bank of Japan's zero interest rate policy, the economy is entering a transition from deflationary phrase that lasted for a long time to inflationary phrase.

On the other hand, the economic outlook remains uncertain due to the prolonged Ukraine situation, rising geopolitical risks in the Middle East region, increased various costs including logistics and labor costs resulting from the 2024 issue, and the worsening Chinese economy.

Although the risk of procurement of parts that surfaced since this consolidated fiscal year under review has largely been eliminated, the Group continued to face a severe management environment due to the delayed certification of chassis for truck-mounted aerial work platform, our mainstay product, in the fourth quarter, as well as the continued impact of high raw materials and energy costs.

Under such a business environment, for specially equipped vehicles, sales of small-sized self-propelled aerial work platform increased from the previous consolidated fiscal year backed by the favorable construction demand. However, sales of truck-mounted aerial work platform decreased from the previous consolidated fiscal year due to delay of supply and delay of certification caused by model changes by truck manufacturers, and impact of related orders received. In addition, sales of service business also decreased from the previous consolidated fiscal year due to the similar impact. As a result, net sales decreased from the previous consolidated fiscal year.

On the profit front, the Group decreased profits from the previous consolidated fiscal year as it could not cover the impact of the drop in net sales despite various cost reduction activities such as cutting expenses and manufacturing costs, reducing inefficiency throughout the Group, and streamlining the operations.

As a result, net sales for the consolidated fiscal year under review declined ¥7,549 million (12%) to ¥53,129 million. The breakdown of major net sales shows that sales of specially equipped vehicles declined ¥7,110 million (15%) year on year to ¥40,202 million, and sales of parts and repairs declined ¥393 million (3%) year on year to ¥12,316 million.

Net sales by business segment are as follows.

Category		Previous consolidated fiscal year		Consolidated fiscal year under review		Increase/decrease from the previous fiscal year	
		Amount	Percentage	Amount	Percentage	Amount	Percentage
Specially equipped vehicles		Million yen	%	Million yen	%	Million yen	%
	Digger derricks	2,792	4.6	2,367	4.5	(424)	(15.2)
	Aerial work platforms	42,155	69.5	35,568	66.9	(6,587)	(15.6)
	Other	2,364	3.9	2,266	4.3	(98)	(4.2)
	Subtotal	47,313	78.0	40,202	75.7	(7,110)	(15.0)
	Parts and repairs	12,709	20.9	12,316	23.2	(393)	(3.1)
	Other	656	1.1	610	1.1	(46)	(7.0)
	Total	60,678	100.0	53,129	100.0	(7,549)	(12.4)

As for profit, operating profit was ¥6,341 million, which is ¥1,009 million (14%) lower than the previous consolidated fiscal year, and ordinary profit was ¥7,018 million, which is ¥997 million (12%) lower than the previous consolidated fiscal year. Profit attributable to owners of parent was ¥5,270 million, decreasing ¥688 million (12%) from the previous consolidated fiscal year.

(ii) Capital expenditures

The total amount of capital investment during the consolidated fiscal year under review was ¥969 million, as detailed below.

Category	Details	Amount
		Million yen
Buildings	Buildings of a new service factory at Ageo Office and others	521
Machinery and equipment	Solar power generation and demonstration cars at Niiharu Factory and others	290
Other	Models and jigs of Niiharu Factory and Isesaki Factory and others	157
	Total	969

(iii) Financing status

In the consolidated fiscal year under review, ordinary working funds and capital investment funds were covered by the company's own funds, and no funds were procured through a capital increase, corporate bonds, etc.

(iv) Business transfer, absorption-type company split or incorporation-type company split

There are no applicable items.

(v) Acquisition of businesses of other companies

There are no applicable items.

(vi) Succession of rights and obligations regarding businesses of other corporations, etc. through an absorption-type merger or absorption-type company split

There are no applicable items.

(vii) Acquisition or disposal of shares or other equity interests, stock options, etc. of other companies

There are no applicable items.

(2) Assets and Profit/Loss

(i) The corporate group's assets and profit/loss

Category		Fiscal year ended March 2021	Fiscal year ended March 2022	Fiscal year ended March 2023	Fiscal year ended March 2024 (the consolidated fiscal year under review)
Net sales	(Million yen)	59,330	56,591	60,678	53,129
Ordinary profit	(Million yen)	7,708	7,736	8,016	7,018
Profit attributable to owners of parent	(Million yen)	5,906	5,644	5,958	5,270
Profit per share	(Yen)	76.84	74.09	79.16	70.26
Total assets	(Million yen)	90,869	90,559	95,695	94,921
Net assets	(Million yen)	73,321	76,043	78,573	81,789
Net assets per share	(Yen)	959.76	1,006.05	1,044.71	1,096.95

(ii) The company's assets and profit/loss

Category		Fiscal year ended March 2021	Fiscal year ended March 2022	Fiscal year ended March 2023	Fiscal year ended March 2024 (the fiscal year under review)
Net sales	(Million yen)	59,129	56,099	59,981	52,956
Ordinary profit	(Million yen)	7,247	7,095	8,253	6,452
Profit	(Million yen)	5,536	5,068	6,354	4,701
Profit per share	(Yen)	72.02	66.52	84.43	62.68
Total assets	(Million yen)	88,256	86,578	92,071	89,777
Net assets	(Million yen)	70,078	71,620	74,650	76,038
Net assets per share	(Yen)	917.30	947.53	992.55	1,019.82

(3) **Material Facts about Parent Company and Subsidiaries**

(i) Status of the parent company and matters regarding transactions with the parent company

The company's parent company is Toyota Industries Corporation, which owns 40,521 thousand shares (54.3% of the voting rights) of the company.

The company and its parent company engage in transactions such as the sale of specially equipped vehicles and the sale and purchase of parts.

Surplus funds are deposited under a contract of the cash management service managed by the parent company. However, as a result of comprehensive consideration of future cash needs and the environment surrounding the company, the company has transferred the full amount of deposits paid under CMS to a bank.

Matters regarding transactions with the parent company, etc. are as follows.

(a) Matters to be paid attention to so as not to harm the interests of the company in conducting the said transactions

For sales transactions, the company determines the price and other terms and conditions at the same level as for ordinary transactions with third parties. In the same way, interest rates for deposits of surplus funds are set to be reasonable as the company took into account market interest rates in order to improve economic rationality.

(b) The Board of Directors' determination as to whether the said transactions are not prejudicial to the company's interests and the reasons therefor:

The company has two former officers of the parent company serving as Directors of the company and one employee of the parent company serving as a Director (Audit and Supervisory Committee Member) of the company, and manages the Board of Directors in cooperation with the parent company, etc. by exchanging management information, etc.

There are no restrictions on the company's business activities, as the company and its parent company, etc. ensure segregation of business activities.

The Board of Directors of the company has a Special Committee, compares the terms of transactions with third parties to those with the parent company, etc. from the perspective of appropriateness of such transactions, and determines the appropriateness of such transactions with the parent company, etc. so that the company's interests will not be harmed. Accordingly, the company judges that the company's interests are not harmed.

(c) Opinions of Outside Directors that differ from judgment of the Board of Directors

There are no applicable items.

(ii) Material facts about subsidiaries and affiliated company

Company name	Capital	Percentage of voting rights owned by the company	Principal business
(Subsidiaries)			
Zhejiang AICHI Industrial Machinery Co., Ltd.	US\$ 15,000 thousand	100.0%	Manufacture and sales of special machines
AICHI NZ LIMITED	NZ\$ 2,300 thousand	100.0%	Sales of the company's products
(Affiliated company)			
Hangzhou AICHI Engineering Vehicles Co., Ltd.	US\$ 10,000 thousand	50.0%	Manufacture and sales of special vehicles

(Note) The company completed liquidation procedures of AICHI AUS PTY LTD as of December 24, 2023, and therefore it has been excluded from the scope of consolidation.

(iii) Status of specified wholly owned subsidiaries as of the last day of the fiscal year

There are no applicable items.

(4) **Issues to Be Addressed**

The outlook for the future is expected to remain uncertain due to a number of concerns including the deterioration in the economy as a result of shift to inflationary phase due to the lifting of the Bank of Japan's negative interest rate policy, 2024 issue and geopolitical risks coming to light, despite expectations for recovery trend of economic and social activities to continue, with improved business performance backed by the yen depreciation and other factors, rise in the Nikkei Stock Average, and a recovery of inbound tourism demand.

Under these circumstances, our group engages in business activities to contribute to economic development and a prosperous society based on the basic management policy as a company creating a work environment.

As a medium- to long-term management strategy, we aim to transform ourselves into a highly profitable company through business restructuring.

Against the backdrop of aggressive investment, we will promote activities under the keywords of business expansion, earnings structure reform, and strengthening of the management base that supports medium-term growth, aiming to be the company for which society and customers say, "We would be in trouble without AICHI."

In addition, the entire group will strive to expand sales and improve breakthrough productivity to generate profits.

In order to secure the reliability of the company, it is necessary to develop and operate an internal control system. Our group will seek further improvement of its internal control functions, and strive to enhance and strengthen its corporate governance.

We look forward to your continued support and cooperation.

(5) **Principal Business (as of March 31, 2024)**

The principal business of our group (comprised of the company, two subsidiaries, and one affiliated company) is the manufacture and sales of digger derricks, aerial work platforms, etc. for electric power, electrical and telecommunication works, and aerial work platforms, etc. for construction and cargo handling, the manufacture and sales of parts, repairs, skid-steer loaders, etc., and training in the operation of aerial work platforms, etc.

In addition, we supply some aerial work platforms to the parent company on an OEM basis.

(6) **Major Offices and Factories (as of March 31, 2024)**

(i) **The company**

Category	Address
Head office	1152-10 Ryoke, Ageo-shi, Saitama, Japan
Branch	Kita-Nihon Branch (in Miyagi), Kanto Branch (in Saitama), Chubu Branch (in Aichi), Kansai Branch (in Osaka), Chushikoku Branch (in Hiroshima), and Kyushu Branch (in Fukuoka)
Factory	Niiharu Factory (in Gunma) and Isesaki Factory (in Gunma)

(ii) Subsidiaries and affiliated company

Company name	Address
(Subsidiaries) Zhejiang AICHI Industrial Machinery Co., Ltd.	Hangzhou, Zhejiang, China
AICHI NZ LIMITED	Otago, New Zealand
(Affiliated company) Hangzhou AICHI Engineering Vehicles Co., Ltd.	Hangzhou, Zhejiang, China

(Note) The company completed liquidation procedures of AICHI AUS PTY LTD as of December 24, 2023, and therefore it has been excluded from the scope of consolidation.

(7) Status of Employees (as of March 31, 2024)

(i) Status of employees of the corporate group

Number of employees	Increase/decrease from the end of the previous consolidated fiscal year
1,046	3

(Note) The number of employees is the number of employed workers.

(ii) Status of employees of the company

Number of employees	Increase/decrease from the end of the previous fiscal year	Average age	Average years of service
974	4	43.8 years old	19.2 years

(Notes) 1. The number of employees is the number of employed workers.

2. The number of employees excludes three Managing Officers and 148 temporary employees.

(8) Principal Lenders (as of March 31, 2024)

There are no applicable items.

(9) Other Important Matters regarding the Corporate Group's Current Status

There are no applicable items.

## 2 Current Status of the Company

### (1) Status of Shares (as of March 31, 2024)

- (i) Total number of authorized shares 235,000,000
- (ii) Total number of issued shares 74,570,000 (including 9,697 treasury shares)
- (iii) Number of shareholders 10,944
- (iv) Major shareholders (top 10)

Shareholder name	Number of shares held	Shareholding ratio
	(Thousand shares)	%
Toyota Industries Corporation	40,521	54.3
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,984	5.3
Hikari Tsushin, Inc.	2,565	3.4
NDS Co., Ltd.	2,072	2.8
Employee Stock Ownership Plan of Aichi Corporation	1,346	1.8
Isuzu Motors Limited	1,274	1.7
Custody Bank of Japan, Ltd. (Trust Account)	1,059	1.4
AVI JAPAN OPPORTUNITY TRUST PLC	996	1.3
Aikyokai	873	1.2
Aieikai	741	1.0

(Note) The shareholding ratio is calculated after deducting the number of treasury shares from the total number of issued shares.

### (2) Share Acquisition Rights, Etc.

There are no applicable items.

(3) Other Important Matters Regarding Shares

(i) Acquisition of treasury shares

At the meeting of the Board of Directors held on November 29, 2023, the company resolved to acquire treasury shares pursuant to Article 156 of the Companies Act, as applied pursuant to Article 165, paragraph 3 of the same, and acquired treasury shares accordingly.

Class and total number of shares acquired      650,000 common shares

Total cost of acquisition                              ¥598 million

Date of acquisition                                      November 30, 2023

(ii) Cancellation of treasury shares

At the meeting of the Board of Directors held on February 28, 2024, the company resolved to cancel its treasury shares pursuant to Article 178 of the Companies Act, and cancelled treasury shares accordingly.

Class and total number of shares cancelled      641,400 common shares

Date of cancellation                                    March 22, 2024

(4) Matters Regarding Corporate Officers

(i) Directors (as of March 31, 2024)

Positions	Name	Responsibilities and significant concurrent positions
President & CEO	Toshiya Yamagishi	
Director	Hideo Yamamoto	General Manager of Corporate Headquarters
Director	Koichi Anzai	General Manager of Manufacturing Headquarters
Director	Takuo Sasaki	Outside Director of UMC Electronics Co., Ltd.
Director (Audit and Supervisory Committee Member)	Shigehiro Takatsuki	
Director (Audit and Supervisory Committee Member)	Kiyoshi Tojo	
Director (Audit and Supervisory Committee Member)	Takuto Kawanishi	Partner, Nozomi Sogo Attorneys at Law Outside Director, Scala, Inc.
Director (Audit and Supervisory Committee Member)	Kenji Aonuma	Associate Managing Officer, Toyota Industries Corporation General Manager of the Business Planning Dept., Toyota Material Handling Company of Toyota Industries Corporation

- (Notes) 1. Director (Audit and Supervisory Committee Member) Shigehiro Takatsuki, Director (Audit and Supervisory Committee Member) Kiyoshi Tojo, and Director (Audit and Supervisory Committee Member) Takuto Kawanishi are Outside Directors.
2. The company does not appoint full-time Audit and Supervisory Committee Members because it is judged that it is sufficiently possible to support the functions of the Audit and Supervisory Committee by ensuring that the Audit Dept. has staff members who support operation of the Audit and Supervisory Committee and also that the Audit Dept. takes charge of internal audits.
3. Director (Audit and Supervisory Committee Member) Shigehiro Takatsuki, Director (Audit and Supervisory Committee Member) Kiyoshi Tojo, and Director (Audit and Supervisory Committee Member) Takuto Kawanishi have been appointed as independent officers pursuant to the provisions of the Tokyo Stock Exchange and the Nagoya Stock Exchange, and the company has submitted notification to each exchange.
4. Director (Audit and Supervisory Committee Member) Shigehiro Takatsuki has abundant experience as a certified public accountant and extensive knowledge of finance and accounting.
5. Director (Audit and Supervisory Committee Member) Takuto Kawanishi has abundant experience and broad insight as an attorney and is also familiar with corporate legal affairs and finance-related business.

(ii) Outline of limited liability agreements

The company's Directors (excluding those serving as Executive Directors) have entered into an agreement limiting their liability under Article 423, paragraph 1 of the Companies Act. The maximum amount of liability under the agreement is the amount stipulated in Article 425, paragraph 1 of the Companies Act.

(iii) Total amount of compensation, etc. for Directors

Category	Total amount of compensation, etc.	Total amount by type of compensation, etc.		Number of officers paid
		Basic compensation	Performance-linked compensation, etc.	
	Million yen	Million yen	Million yen	
Directors (excluding Audit and Supervisory Committee Members) (Outside Directors)	96 (-)	58 (-)	38 (-)	4 (-)
Directors (Audit and Supervisory Committee Members) (Outside Directors)	18 (15)	18 (15)	- (-)	4 (3)

(Notes) 1. The maximum amount of compensation for Directors (excluding Audit and Supervisory Committee Members) was resolved at the 70th Annual General Meeting of Shareholders held on June 21, 2018 to be no more than ¥240 million per year. The number of Directors (excluding Audit and Supervisory Committee Members) at the conclusion of the said Annual General Meeting of Shareholders was three.

2. The maximum amount of compensation for Directors (Audit and Supervisory Committee Members) was resolved at the 70th Annual General Meeting of Shareholders held on June 21, 2018 to be no more than ¥60 million per year. The number of Directors (Audit and Supervisory Committee Members) at the conclusion of the said Annual General Meeting of Shareholders was four (three of which were Outside Directors).

3. Bonuses are paid to Directors (excluding Audit and Supervisory Committee Members) as performance-linked compensation, etc.

Bonuses, which are performance-linked compensation, etc., are determined on the basis of consolidated operating profit for each fiscal year, which is the profit earned in the principal business, and also determined by comprehensively taking into account dividends, employee bonus levels, trends of other companies, medium- to long-term performance, past payment results, etc. The reason for selecting this performance indicator is to build a system that is linked to the company's performance and reflects job responsibilities and results.

Operating profit for the consolidated fiscal year under review was ¥6,341 million.

4. The above amounts include the following.

Provision for bonuses for Directors (and other officers) of ¥38 million for the fiscal year under review (¥38 million for three Directors (Executive Directors)).

- (iv) Matters regarding the policy for determining the amount and calculation method of compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members)
- (a) Method of determining policy on determining the details of compensation, etc. for each Director at the Board of Directors meeting held on February 24, 2021, the company passed a resolution on a policy on determining the details of compensation, etc. for each Director (the “Determination Policy”) in order to build a system that is linked to the company’s performance and reflects job responsibilities and results.
- (b) Basic policy  
Compensation for the company’s Executive Directors consists of fixed monthly compensation and performance-linked compensation bonuses. The compensation system is linked to the company’s performance and reflects job responsibilities and results.
- (c) Policy on determining the amount of basic compensation (monetary compensation), etc. for each Executive Director (including policies on determining the timing and conditions of compensation, etc.)  
The basic compensation for the company’s Executive Directors is fixed monthly, and is determined in comprehensive consideration of factors such as the level of other companies, the company’s business performance, and the level of employee salaries according to the position, job responsibilities, and years of service.
- (d) Policy on determining the calculation method of performance-linked compensation, etc. (including policies on determining the timing and conditions of compensation, etc.)  
Bonuses, which are performance-linked compensation, etc., are determined on the basis of consolidated operating profit for each fiscal year, which is the profit earned in the principal business, and also determined by comprehensively taking into account dividends, employee bonus levels, trends of other companies, medium- to long-term performance, past payment results, etc.
- (e) Policy on determining the ratio of the amount of compensation, etc. for each Director including the amount of monetary compensation and performance-linked compensation, etc.  
The Nomination and Compensation Advisory Committee, which is a voluntary advisory body to the Board of Directors consisting mainly of Outside Directors, exchanges opinions about and confirms the details of the ratio of each type of compensation for Executive Directors, and submits a report to the Board of Directors for resolution. The President and CEO, delegated by

the Board of Directors will determine the details of compensation, etc. for each Director within the scope indicated in the report, respecting the contents of the report submitted by the Nomination and Compensation Advisory Committee.

- (f) Matters regarding determining the details of compensation, etc. for each Director

The President and CEO is delegated to determine the details of the amount of compensation for each Director based on the resolution of the Board of Directors, and the President and CEO is authorized to evaluate and distribute bonuses based on the amount of basic compensation for each Director and the performance of the business that each Executive Director is in charge of. The Board of Directors will submit a draft to and receive a report from the Nomination and Compensation Advisory Committee so that the President and CEO will exercise his or her authority appropriately, and the President and CEO who has been delegated as above shall make determinations in accordance with the contents of the report.

- (g) Reasons why the Board of Directors has determined that the details of compensation, etc. for each Director for the fiscal year under review are in line with the Determination Policy

The Board of Directors basically respects the report and judges that it conforms to the Determination Policy, as the Nomination and Compensation Advisory Committee reviews the draft from various angles including consistency with the Determination Policy in determining the details of compensation, etc. for each Director.

- (v) Matters regarding delegation for determining compensation, etc. for each Director

A resolution was passed at a meeting of the Board of Directors held on May 17, 2023 to entrust Toshiya Yamagishi, President and CEO, with determining the specific amount of compensation for each Director for the fiscal year under review. With such entrustment, the President and CEO is authorized to evaluate and distribute bonuses based on the amount of basic compensation for each Director and the performance of the business that each Executive Director is in charge of. The reason for delegating this authority is that the President and CEO is the most suitable person to evaluate the business that each Executive Director is in charge of while taking a bird's-eye view of the overall performance of the company. The Board of Directors submits a draft to and receives a report from the Nomination and Compensation Advisory Committee so that the President and CEO will exercise his or her authority appropriately.

(vi) Compensation, etc. for Directors who are Audit and Supervisory Committee Members

For the method of determining compensation, etc. for Directors who are Audit and Supervisory Committee Members, the amount of compensation is determined at a meeting of the Audit and Supervisory Committee through consultation in consideration of business allocation, etc. within the scope of the total amount of compensation as resolved at the Annual General Meeting of Shareholders.

(vii) Matters regarding officers' liability insurance of the company

(a) Scope of insured persons

The company has entered into an officers' liability insurance contract with an insurance company for Directors, Managing Officers and Associate Managing Officers of the company and all Directors of the company's subsidiaries excluding AICHI NZ LIMITED, as provided for in Article 430-3 of the Companies Act.

(b) Outline of the officers' liability insurance contract

- The indemnity covers court costs, damages, etc. incurred by insured persons due to company lawsuits, third-party lawsuits, shareholder lawsuits, etc.
- As a measure to prevent the appropriateness of the execution of duties by the insured persons from being impaired, a deductible is set and damages that do not reach a certain amount are not covered by the indemnity.
- The full amount of the insurance premium for this contract is borne by the company.

(viii) Matters regarding outside officers

(a) Significant concurrent positions at other corporations, etc. and relationship between the company and such corporations, etc.

Takuto Kawanishi, an Outside Director (Audit and Supervisory Committee Member) of the company, concurrently serves as Partner of Nozomi Sogo Attorneys at Law and Outside Director of Scala, Inc. However, there are no special interests between the company and any of these companies he concurrently serves for.

(b) Main activities during the fiscal year under review

Name	Status of main activities
Shigehiro Takatsuki, Director (Audit and Supervisory Committee Member)	He attended 12 of the 13 meetings of the Board of Directors and 11 of the 12 meetings of the Audit and Supervisory Committee that were held during the fiscal year under review. Based on his expert knowledge and broad experience in accounting and finance, he provided advice on overall management from a fair, objective and broad perspective through his comments at the Board of Directors meetings and the Audit and Supervisory Committee meetings.
Kiyoshi Tojo, Director (Audit and Supervisory Committee Member)	He attended 12 of the 13 meetings of the Board of Directors and 11 of the 12 meetings of the Audit and Supervisory Committee that were held during the fiscal year under review. Based on his abundant experience and deep insight, he provided advice from an objective and broad perspective through his comments necessary for deliberations of proposals at the Board of Directors meetings and the Audit and Supervisory Committee meetings.
Takuto Kawanishi, Director (Audit and Supervisory Committee Member)	He attended 12 of the 13 meetings of the Board of Directors and 11 of the 12 meetings of the Audit and Supervisory Committee that were held during the fiscal year under review. He is qualified as an attorney and has extensive knowledge, experience, etc. in corporate legal affairs and finance-related business, and he provided advice from an objective and broad perspective through his comments at the Board of Directors meetings and the Audit and Supervisory Committee meetings.

(c) Amount of compensation for officers, etc. received from the company's parent company and subsidiaries of the parent company

There are no applicable items.

(5) Matters regarding Accounting Auditors

(i) Name of the Accounting Auditor PricewaterhouseCoopers Japan LLC

(Note) PricewaterhouseCoopers Aarata LLC merged with PricewaterhouseCoopers Kyoto, and changed its name to PricewaterhouseCoopers Japan LLC on December 1, 2023.

(ii) Amount of compensation, etc.

Category	Amount paid
Amount of compensation, etc. for the accounting auditor for the fiscal year under review	49
Total amount of money or other economic benefits to be paid by the company and the company's subsidiaries	49

(Notes) 1. In the audit agreement between the company and the accounting auditor, the amount of audit fees, etc. for audits conducted in accordance with the Companies Act and that for audits conducted in accordance with the Financial Instruments and Exchange Act are not clearly separated or cannot be substantially separated. Therefore, the total of these amounts is stated as the amount of compensation, etc. for the accounting auditor for the fiscal year under review.

2. Reasons for the consent of the Audit and Supervisory Committee on the compensation, etc. for the accounting auditor

The Audit and Supervisory Committee has confirmed and examined the audit plan, execution of duties in the previous fiscal year, the basis of calculating compensation estimates, etc. of the accounting auditor taking into account the information collected from the accounting auditor and relevant internal departments based on the “Guidelines for Coordination with Accounting Auditors” published by the Japan Audit & Supervisory Board Members Association, and as a result, has given consent on the compensation, etc. for the accounting auditor under Article 399, paragraph 1 of the Companies Act.

3. The company's overseas subsidiaries have been audited by audit corporations other than the company's accounting auditor.

(iii) Policies on determining dismissal or refusal of re-election of accounting auditors

In the event that the Audit and Supervisory Committee decides on a proposal for dismissal or refusal of re-election of the accounting auditor as the Audit and Supervisory Committee determines that it is necessary to do so, such as when there is any problem with the accounting auditor's execution of duties, the Board of Directors submits such proposal to the Annual General Meeting of Shareholders based on such decision.

In addition, if the Audit and Supervisory Committee finds that the accounting auditor falls under any of the items set forth in Article 340, paragraph 1 of the Companies Act, the Audit and Supervisory Committee will dismiss the accounting auditor upon the consent of all Audit and

Supervisory Committee Members.

In this case, the Audit and Supervisory Committee Member selected by the Audit and Supervisory Committee will report the dismissal of the accounting auditor and the reason for the dismissal at the first Annual General Meeting of Shareholders convened after the dismissal.

(iv) Outline of limited liability agreements

There are no applicable items.

(6) **Systems to Ensure the Appropriateness of Business Activities**

The Board of Directors of the company has adopted the following basic policies as a system to ensure the appropriateness of business activities.

- (i) Systems to ensure that Directors and employees execute their duties in compliance with laws and regulations and the Articles of Incorporation
  - (a) We have established the Code of Conduct as action guidelines and informed all officers and employees thereof, ensuring all corporate activities are in compliance with laws and regulations.
  - (b) The company has appointed a Director in charge of compliance, and he or she works under the Internal Control and Risk Management Subcommittee to develop a company-wide compliance structure and identify problems.
  - (c) The Audit Division (an internal audit division) and the Audit and Supervisory Committee work in constant cooperation to exchange the results of business audits, establish a company-wide compliance structure, and identify problems.
  - (d) The Board of Directors has Outside Directors who have no interests in the company with the aim of ensuring the legality of Directors' execution of their duties and making decisions from diverse management perspectives.
  - (e) The company makes an effort to detect serious compliance issues of Directors, Managing Officers and employees as early as possible through the Corporate Ethics Consultation Desk and other systems.
- (ii) Matters regarding the storage and management of information pertaining to the execution of duties by Directors

In accordance with the company's internal regulations, information pertaining to the execution of duties by Directors is recorded and preserved in writing or on electromagnetic media (the "Documents, etc."). Directors can view these documents at all times.

(iii) Rules and other systems for management of the risk of loss

- (a) A Director in charge of supervising risks at the company-wide level is appointed, and the Internal Control and Risk Management Subcommittee is established.
- (b) The Internal Control and Risk Management Subcommittee develops procedures and mechanisms to prevent risks arising from business activities. In the event of any emergency, information must be communicated and an emergency structure must be established in a prompt and appropriate manner.
- (c) Matters discussed at meetings of the Internal Control and Risk Management Subcommittee are systematically incorporated into the flow of the Internal Control and Risk Management Subcommittee.
- (d) The Audit Division (an internal audit division) conducts business audits and legal compliance audits of all divisions based on annual plans with regard to the effectiveness of internal controls and the actual status of business execution. The results of these audits are reported to the top management and the Audit and Supervisory Committee.
- (e) We make efforts to conduct business activities and execute budgets based on appropriate fund management and designated authority.
- (f) We make efforts to ensure appropriate financial reporting and disclose information in a timely and appropriate manner.

(iv) Systems to ensure efficient execution of duties by Directors

The following management systems are in place to improve the efficiency of Directors' execution of duties.

- (a) The Board of Directors formulates a medium-term management plan, sets performance targets and budgets for each division based on the medium-term management plan, and manages monthly and quarterly performance using IT.
- (b) Directors execute their duties based on the division of duties determined at the Board of Directors, and Managing Officers and Associate Managing Officers efficiently assist Directors with delegated and directed matters and enable prompt management decisions.

- (v) Systems to ensure the appropriateness of business activities of a corporate group consisting of a stock company, a parent company and subsidiaries
  - (a) These companies are audited on a regular basis by the parent company's Internal Audit Division, receive reports on such audits, and exchange information to identify compliance and efficiency issues.
  - (b) The internal control systems at the company and each group company include the establishment of the Internal Control and Risk Management Subcommittee, and efficient consultation, sharing of information, communication of instructions and requests, etc. regarding internal controls between the company and each group company.
  - (c) Audit and Supervisory Committee Members are dispatched to group companies to conduct audits including business audits, and internal audits of group companies are conducted by the company's Audit Division (an internal audit division) to establish a compliance structure and to detect problems as early as possible.
  - (d) The Code of Conduct common to our group has been established to raise compliance awareness together with officers and employees of the group companies.
  
- (vi) Matters regarding the system for an employee to assist with performance of the duties of the Audit and Supervisory Committee in a case where request for appointment of such employee is made, and matters regarding the independence of such employee from Directors

A dedicated staff member is to be appointed to assist with audit operations, and the consent of the Audit and Supervisory Committee is required for appointment of such staff member.
  
- (vii) Systems for Directors (excluding those who are Audit and Supervisory Committee Members) and employees of the company and its group companies to report to the Audit and Supervisory Committee, and other systems related to reports to the Audit and Supervisory Committee, etc.

At the request of the Audit and Supervisory Committee, the company has established a system to obtain the attendance of Audit and Supervisory Committee Members at important internal meetings. In addition, the company bears the expenses required for the duties of the Audit and Supervisory Committee as necessary.

Directors (excluding those who are Audit and Supervisory Committee Members), Managing Officers and employees must make a prompt report on any of the following matters to the Audit and Supervisory Committee, and the company ensures that the reporter will not be treated disadvantageously on the grounds of such reporting.

- (a) Matters resolved and reported at important meetings
  - (b) Matters that may cause significant damage to the company and its group companies
  - (c) Important matters regarding monthly business conditions
  - (d) Important matters regarding internal audits and risk management
  - (e) Serious violations of laws and regulations and the Articles of Incorporation
  - (f) Other serious compliance issues
- (viii) Other systems to ensure that audits by the Audit and Supervisory Committee are conducted effectively

The company guarantees opportunities for the Audit and Supervisory Committee to hold interviews with Executive Directors, Managing Officers and important employees, and to exchange opinions with the Representative Director, accounting auditor, etc. on a regular basis.

- (ix) Basic approach to elimination of antisocial forces and its implementation status

The company and each of its group companies have established the Code of Conduct as action guidelines for Directors, Managing Officers and employees, and one of them is how to deal with antisocial forces. The basic idea is to remain resolute against antisocial forces and keep them away from us.

Specifically, the division responsible for dealing with antisocial forces is clarified, and we take appropriate measures as necessary by consulting with the police and other relevant administrative bodies.

(7) **Overview of the Operation of Systems to Ensure the Appropriateness of Business Activities**

The company is a company with an audit and supervisory committee. By strengthening the supervisory function of the Board of Directors, the company aims to further improve management transparency and strengthen its corporate governance structure including streamlined decision-making. As an overview of the operation of systems to ensure the appropriateness of business activities at the company and our group, the company took the following measures based on its basic policy during the fiscal year under review (from April 1, 2023 to March 31, 2024).

- (i) As for the major meetings held after April 1, 2023, the Board of Directors held 13 meetings, the Audit and Supervisory Committee held 12 meetings, and the Internal Control and Risk Management Subcommittee held four meetings.
- (ii) In accordance with the audit policy and audit plans set by the Audit and Supervisory Committee, each Audit and Supervisory Committee Member held interviews, etc. on the results of internal audits of each division through the Audit Division (an internal audit division) and exchanged opinions with the company's Representative Director, other Directors and accounting auditor in order to cooperate in information exchange, etc.
- (iii) The Audit Division (an internal audit division) conducted business audits and legal compliance audits of all divisions of the company based on annual plans, and conducted internal audits of each group company.

(8) Policy on Determination of Dividends of Surplus

The company's dividend policy is based on improving stable shareholder returns from the perspective of focusing on shareholders, with a total return ratio of 50% or more of consolidated financial results as the standard.

At the Board of Directors meeting held on April 23, 2024, the company resolved to pay a fiscal year-end dividend of ¥21 per share for the fiscal year under review, with the effective date of May 30, 2024. Including interim dividends, dividends for the fiscal year under review will be ¥40 per share, an increase of ¥4 from the previous fiscal year.

At the Board of Directors meeting held on November 29, 2023, the company resolved to acquire its own shares, and acquired 650,000 shares at a total cost of ¥598 million through “Off-Auction Own Share Repurchase Trading (ToSTNeT-3)” on the Tokyo Stock Exchange on November 30, 2023.

As a result, the total return ratio for the fiscal year under review was 68.2%.

Internal reserves will be used for production-related facilities to enhance corporate value, facility-related investments to improve services, and investments for new product development and research and development.

(Note) Amounts and the numbers of shares in this business report are rounded down to the nearest unit, and percentages are rounded off to the nearest unit.