

Corporate Governance Report

CORPORATE GOVERNANCE

MAX Co., Ltd.

Last Update: July 9, 2024

MAX Co., Ltd.

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Securities code: 6454

<https://www.max-ltd.co.jp/>

The corporate governance of MAX Co., Ltd. (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information

1. Basic Views

The Company established the company creed as follows, and aims to further grow its business and increase its corporate value by continuing to relentlessly pursue “customer value.” To achieve this goal, we recognize the importance of taking the initiative to enhance our corporate governance.

(The MAX Company Creed)

To take responsibility in supplying quality products.

To strive to improve the lives of all MAX employees and develop their abilities to the fullest.

To accomplish steady progress for ourselves in order to provide continuous service to society and make contributions to the culture.

In addition, we believe that the growth of the company shall be achieved by respecting people and helping people grow, whose spirit is set in the MAX Fundamental Management Policy, “We aim to become a group in which everyone can grow together by creating a lively and fun atmosphere,” to realize the MAX Company Creed.

The Company believes that it is important for officers and employees who are to take initiatives to enhance corporate governance to properly understand the company creed and fundamental management policy, and is working to raise awareness thereof.

The Company also believes that it is crucial to build trusting relationships not only with officers and employees but also with stakeholders to enhance corporate governance. Accordingly, the Company has established the basic policy on corporate governance as follows:

- (1) Conduct proper and appropriate information disclosure
- (2) Strengthen our management supervision function
- (3) Ensure stable corporate management
- (4) Accelerate decision making
- (5) Respect people

Reasons for Non-compliance with the Principles of the Corporate Governance Code

[Supplementary Principle 4-11 (1): Balance of the Overall Board of Directors]

Please refer to Principle 3-1 (iv) of this report and to the appendix for information on the skill matrix of Directors. Please note that when selecting candidates for Independent Outside Directors, although we do not include individuals with management experience at other companies, we emphasize not only their positions but also their backgrounds, thereby ensuring that the Board of Directors is composed of members with diverse experiences, etc. At the 93rd Ordinary General Meeting of Shareholders, upon considering the expiring term of one Director who is an Audit and Supervisory Committee Member and considering the scale/composition of the Board of Directors, we aimed to ensure gender diversity by appointing one female Director who is an Audit and Supervisory Committee Member with expertise in accounting. In regard to the inclusion of human resources with management experience as Outside Directors, we will continue to carefully consider this matter while maintaining the overall balance of the Board of Directors.

Disclosure Based on each Principle of the Corporate Governance Code

Updated

[Principle 1-4: Cross-shareholdings]

The Company holds cross-shareholdings to maintain and strengthen our trading relationships. When deciding on cross-shareholdings, we evaluate whether or not they will be beneficial to the Company in terms of increasing corporate value in the medium- to long-term. The appropriateness of holding cross-shareholdings is discussed at annual meetings of the Board of Directors based on criteria such as the purpose, benefits, and risks of cross-shareholdings. Based on these discussion, the Company may review or reduce cross-shareholdings. In the fiscal year ended March 31, 2024, we reduced cross-shareholdings for stocks of two companies.

In regard to the criteria for exercising voting rights on cross-shareholding, we start with dialogue, especially in the case of stocks showing extreme decrease in performance and decrease in valuation and returns, or in the case of proposals that could potentially harm the Company's interests. We then carefully evaluate the pros and cons of exercising voting rights.

[Principle 1-7: Transactions Among Related Parties]

The Company has established provisions in the Rules of the Board of Directors that require approval for transactions between Directors and the company. The Board of Directors prevents the shared interests of the company and shareholders from being compromised by examining and approving the content of transactions with major shareholders, etc.

[Supplementary Principle 2-4 (1): Approach to Ensuring Diversity of Core Personnel]

The Company believes that by respecting people, the development of people will result in growth for the company. Since our founding, respect for people has been the guiding spirit. We encourage each of our employees to work independently for their own personal growth. We believe that growth depends on respecting a variety of people and personalities, and engaging in friendly competition with each other. In the personnel policies and management policy of our Basic Policy on People, the Company has defined "actively promoting motivated and capable personnel," and we promote employees based on their ability.

The Company engages in hiring regardless of gender or nationality. The Company employs foreign employees who contribute to the growth of the Company's business. At our overseas subsidiaries, we actively promote the appointment of local personnel, thereby ensuring diversity of nationalities within the MAX Group. We adjust the number of mid-career hires according to current organizational needs. As of March 2024, mid-career hires comprise 10.3% of the Company's total workforce. As described above, foreign nationals and mid-career hires are active in the Company and the Group. However, since hiring is based on ability, we do

not set hiring targets for either category.

On the other hand, the percentage of female managers in the MAX Group is currently 7.6%. We recognize the need to improve this indicator and are working to achieve a 10% ratio of female managers by 2030.

The following website of the Company lists the Company's policies on fostering human resources and policies for improving our internal environment with the goal of ensuring diversity, and the status of implementation for those policies.

<https://www.max-ltd.co.jp/en/about/sustainability/social/human.html>

[Principle 2-6: Fulfilling the Function as Asset Owners of Corporate Pensions]

In view of how the management of reserve funds for corporate pensions impacts both the stable asset formation of employees and the Company's financial condition, we have established an Asset Management Committee composed of members with expertise. This committee reviews investment policies for reserve funds and monitors the performance of those investments.

The Representative Board of our corporate pension fund consists of an equal number of representatives selected by the employer and representatives elected through mutual selection by the representatives. This ensures that we operate with a system capable of effectively managing conflicts of interest between the Company and the beneficiaries.

[Principle 3-1: Enhancement of Information Disclosure]

(i) The Company has established a company creed to be shared among all employees as a universal set of values at the Company. We have also established a fundamental management policy as the philosophy which guides the realization of this company creed. We disclose this company creed and fundamental management policy on the Company's website, etc. We also publish our Medium-term Management Plan and business plans through summary of consolidated financial results, the Company's website, etc.

(ii) Please refer to "1. Basic Views" in this report.

(iii) In regard to officer remuneration, we adhere to a policy where remuneration for each officer position is set within the remuneration limits approved at the 92nd Ordinary General Meeting of Shareholders in June 2023, based on the roles and responsibilities of the officers. Officer remuneration consists of three components: monthly remuneration, executive bonus, and restricted share-based remuneration (Directors who are Audit and Supervisory Committee Members and Outside Directors only receive monthly remuneration). In regard to remuneration, etc., of Directors (excluding Directors who are Audit and Supervisory Committee Members), after deliberation by the Remuneration Advisory Committee, which is an advisory body to the Board of Directors and consists of a majority of Independent Outside Directors, and recommendations being submitted from the committee to the Board of Directors, the Board of Directors decides on monthly remuneration for each position, proposals for executive bonuses to be submitted to the General Meeting of Shareholders, the amount of individual executive bonuses, and the number of shares to be granted to each individual officer for restricted-share based remuneration. The Board of Directors respects the recommendation of the Remuneration Advisory Committee when making resolutions.

Furthermore, remuneration for Directors who are Audit and Supervisory Committee Members is set based on the roles and responsibilities as Audit and Supervisory Committee Members, within the monthly remuneration limit approved at the 85th Ordinary General Meeting of Shareholders in June 2016. Specific details such as the exact amount and timing of payments are determined through discussions by Directors who are Audit and Supervisory Committee Members.

(iv) The Company believes it is appropriate for our Board of Directors to hold lively discussions and exchange of opinion by a small number of Directors. While paying attention to the balance of knowledge, experience, and capabilities across the entire Board of

Directors, our policy is to appoint Directors based on their abilities, regardless of age or gender, and to ensure they can sufficiently fulfill their roles in executing and supervising the management of the MAX Group. For Outside Directors, in addition to the factors already discussed, we nominate Outside Directors based on our internal regulations concerning “Criteria for Independence of Outside Directors.”

In our Medium-term Management Plan announced on April 26, 2024, the Company outline strategies focusing on further growth of our overseas businesses, strengthening domestic businesses, and launching new businesses. With this in mind, we recognize the importance of the Company’s Board of Directors possessing experience in global business and planning, in addition to skills related to corporate operations at the Company.

In accordance with the policy stated above, candidates for Directors are nominated through deliberations by Nomination Advisory Committee, which is an advisory body to the Board of Directors and consists of a majority of Independent Outside Directors. After deliberation, the committee provides recommendations to the Board of Directors, which then makes resolutions regarding the nominations. The Board of Directors respects the recommendation of the Nomination Advisory Committee when making resolutions. In the case of candidates for Directors who are Audit and Supervisory Committee Members, prior to resolutions being made by the Board of Directors, the reasons for nominating the candidate are presented to the Audit and Supervisory Committee and consent is obtained from the Audit and Supervisory Committee, after which resolutions are made by the Board of Directors.

If it becomes necessary to dismiss a Director, the Board of Directors follows the procedures stated in the Company’s Rules of the Board of Directors and considers relevant factors such as the Company’s situation and the status of performance of duties by the Director in question, and decides on disciplinary actions such as dismissal from office and the submission of a proposal for dismissal to the General Meeting of Shareholders.

The Board of Directors holds meetings at least once every month, thereby ensuring a framework where discussions are conducted with objectivity, timeliness, and transparency.

(v) We disclose the reasons for appointing Directors (excluding Directors who are Audit and Supervisory Committee Members) and Directors who are Audit and Supervisory Committee Members in the notices, etc., for convening the General Meeting of Shareholders.

When proposing to the General Meeting of Shareholders the dismissal of Directors (excluding Directors who are Audit and Supervisory Committee Members) and Directors who are Audit and Supervisory Committee Members, we disclose the reasons for dismissal in the notices, etc., for convening the General Meeting of Shareholders.

[Supplementary Principle 3-1 (3): Disclosure of Information on Sustainability]

Our mission is to fully utilize our capabilities and technologies to create excellent products needed by our customers and society and continuously supply them. By fulfilling this mission, we aim to contribute to the sustainability of society, while being a robust company. To this end, we have established the following Basic Policy on Sustainability:

(Basic Policy on Sustainability)

Through business growth, MAX will contribute to the realization of a sustainable society.

1. We respect people, draw out the abilities of diverse people, and empower people.
2. We continuously invest in people and technology to create new things and experiences.
3. We deliver user-friendly and environmentally friendly products and services to people all over the world.
4. We allocate results fairly and appropriately.

5. We engage in appropriate dialogue with stakeholders and continue to enhance governance.

Information on our sustainability initiatives and our investments in human capital, intellectual property, etc., can be found in our Integrated Report 2023 and on the Company's website given below.

In September 2022, the Company declared support for the Task Force on Climate-Related Financial Disclosures (TCFD). Based on our recognition of climate change as a critical business issue, we are actively working with external experts to advance initiatives and disclose information for reducing greenhouse gases. Specific examples include identifying risks and opportunities related to climate change, developing strategies to address those risks and opportunities, and setting medium- to long-term reduction targets for greenhouse gas emissions.

We disclosed information on the impacts of climate change risks and revenue opportunities on the Group's business activities and earnings in our Integrated Report 2023.

For more details, please refer to the Integrated Report 2023.

Integrated Report 2023 <https://www.max-ltd.co.jp/en/about/ir/data/integrated/>

MAX Co., Ltd. Website <https://www.max-ltd.co.jp/en/about/sustainability/>

[Supplementary Principle 4-1 (1): Scope of Delegation to Management by the Board of Directors]

The Board of Directors is positioned as an organization which makes decisions on matters stipulated in laws, regulations, and the Articles of Incorporation, as well as on important matters related to management as defined in the Company's Rules of the Board of Directors; for example, management policies, business plans, investment plans, and establishment/investment in subsidiaries. The Board of Directors also supervises the execution of business.

The matters and criteria that should be resolved by the Board of Directors or reported to the Board of Directors are clearly defined in the Rules of the Board of Directors and other internal rules of the Company.

[Principle 4-9: Criteria and Qualifications for Evaluating the Independence of Independent Outside Directors]

The Company has established and disclosed the criteria for evaluating the independence of Independent Outside Directors in the "Criteria for Independence of Outside Directors."

[Supplementary Principle 4-10 (1): Nomination Committee/Remuneration Committee]

Please refer to "II. 1 Voluntary Established Committee(s)" in this report.

[Supplementary Principle 4-11 (1): Overall Balance of the Board of Directors]

Please refer to "Principle 3-1 (iv)" of this report.

[Supplementary Principle 4-11 (2): Concurrent Positions Held by Directors and Corporate Auditors as Officers of Other Listed Companies]

The number of our Directors who concurrently hold positions as officers of other listed companies is small. In such cases, we fully disclose the status of concurrent positions annually in disclosure documents, etc.

[Supplementary Principle 4-11 (3): Evaluation of Effectiveness of the Board of Directors]

The Company analyzes and evaluates the effectiveness of the Board of Directors (hereinafter "effectiveness evaluation") to improve the function of the Board of Directors. Since 2018, the effectiveness has been evaluated by self-evaluation based on an anonymous questionnaire using an outside institution, with the evaluation items consisting of the composition and operation method of the Board of Directors, and the support system for Directors, among other things.

The results of the effectiveness evaluation conducted in April 2024 showed the effectiveness of the Board of Directors. With regard to the discussion on sustainability initiatives, etc., which was recognized as an ongoing challenge in the previous fiscal year, the evaluation result remained at a high level as a result of repeated discussions on themes such as initiatives for human rights due diligence. However, the Company continues to recognize sustainability initiatives as a challenge.

Going forward, the Company will take the initiative to enhance our corporate governance by continuing to share challenges with the Board of Directors, and will gradually implement measures to resolve those challenges.

[Supplementary Principle 4-14 (2): Policy for Training of Directors and Corporate Auditors]

As part of taking the initiative to enhance corporate governance, the Company's basic policy is to have Directors and Corporate Auditors engage in systematic study of the knowledge required for Directors, as well as to participate as necessary in seminars/academic conferences in their field of work and study sessions held by industry groups.

In consideration for the importance of the roles and responsibilities (including legal responsibilities) required of Directors, the Corporate Governance Committee deepens understanding for those roles and responsibilities through case studies related to corporate governance, and provides opportunities as necessary to obtain the latest information on amendments to laws, regulations, etc.

[Principle 5-1: Policy Regarding Constructive Dialogue with Shareholders]

- (1) We appointed an IR officer to oversee constructive dialogue with shareholders.
- (2) We established an IR department under the IR officer. Through coordination with divisions such as corporate planning, general affairs, and accounting, the IR department engages in fair and timely disclosure of situations related to management, finance, etc.
- (3) After the announcement of full-year and second quarter financial results, the Company holds a financial results briefing attended by the President and the IR officer. At the end of the first quarter and the end of the third quarter, we hold a financial results briefing by teleconference attended by the IR officer. We also actively respond to requests for dialogue from shareholders and investors.
- (4) The IR department examines the opinions and requests from shareholders and investors obtained through the aforementioned briefings and dialogues, and reports to the Board of Directors.
- (5) When engaging in dialogue, we take great care in managing insider information based on the Company's disclosure policy and in accordance with the Company's internal regulations. We also limit dialogue with shareholders, investors, etc., for a certain period as a "silent period" before the announcement of financial results information.

The status of dialogue with shareholders and investors is disclosed at the following URL.

<https://www.max-ltd.co.jp/en/about/ir/stock/dialogue.html>

[Principle 5-2: Formulation and Publication of Business Strategies and Plans]

Measures to realize management that considers capital costs and share prices [disclosure available in English]

The Company accurately grasps its capital costs and discloses its earnings plans, basic dividend policy, and dividend strategy in financial results briefing materials, etc.

We have determined that the actual ROE for the fiscal year ended March 31, 2024 was 11.1%, an increase of 2.2% from the previous year, and that the cost of shareholders' equity was around 6% to 7%.

In conjunction with the announcement of the financial results for the fiscal year ended March 31, 2024, the Company announced a new three-year Medium-term Management Plan on April 26, 2024. This Medium-term Management Plan also includes the intent of the Tokyo Stock Exchange's request for "Action to Implement Management that is Conscious of Cost of Capital and Stock Price." The new Medium-term Management Plan aims to achieve an ROE of over 12% and to increase PBR by at least double by fiscal 2030.

For details, please refer to the following URL.

The contents listed above have been discussed and approved by the Board of Directors.

https://ssl4.eir-parts.net/doc/6454/ir_material_for_fiscal_ym3/154632/00.pdf

2. Capital Structure

Foreign Shareholding Ratio	10% or more but less than 20%
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Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
The Dai-ichi Life Insurance Company, Ltd.	4,284,735	9.21
The Master Trust Bank of Japan, Ltd. (trust account)	4,126,600	8.87
Nippon Life Insurance Company	3,762,774	8.09
MAX Kyoeikai Dai-ichi Shareholding Association	3,690,683	7.93
MAX Kyoeikai Dai-ni Shareholding Association	3,352,356	7.21
Custody Bank of Japan, Ltd. (trust account)	2,818,200	6.06
Mizuho Bank, Ltd.	2,234,816	4.80
The Gunma Bank, Ltd.	2,114,765	4.55
MAX Employee Stock Ownership Plan	1,168,497	2.51
Nippon Steel Corporation	1,044,950	2.25

Name of Controlling Shareholder, if applicable
(excluding Parent Companies)

Name of Parent Company, if applicable

None

Supplementary Explanation

Our large-volume shareholding report, which is dated January 8, 2021 and is available for public inspection, states that Mizuho Bank, Ltd. and its joint holder, Asset Management One Co., Ltd., hold the following shares as of December 31, 2020. However, since we are unable to confirm the actual number of shares held as of the end of this fiscal year, Asset Management One Co., Ltd. is not

included in the status of major shareholders.

[Mizuho Bank, Ltd.] Number of shares held: 2,344,000 shares; Shareholding ratio: 4.77%

[Asset Management One Co., Ltd.] Number of shares held: 1,289,000 shares; Shareholding ratio: 2.62%

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Tokyo Stock Exchange Prime Market
Fiscal Year-End	March
Business Sector	Machinery
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	10 billion yen or more but less than 100 billion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	10 or more but fewer than 50

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

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

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

1. Organizational Composition and Operation

Corporate Governance System	Company with Audit and Supervisory Committee
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Directors

Number of Directors Stipulated in Articles of Incorporation	15
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	10
Election of Outside Directors	Elected
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Kako Kurasawa	From another company											
Asaka Kanda	Lawyer											
Shoji Kiuchi	Lawyer											
Mari Yajima	CPA											

*Categories for "Relationship with the Company/"

(Use "○" when the Director presently falls or has recently fallen under the category; "△" when the Director fell under the category in the past; "●" when a close relative of the Director presently falls or has recently fallen under the category; and "▲" when a close relative of the Director fell under the category in the past.)

- Person who executes business for the Company or its subsidiary
- Person who executes business for a non-executive director of the Company's parent company
- Person who executes business for a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for said person/entity
- Major client of the Company or a person who executes business for said client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company in addition to remuneration as a Director/Corporate Auditor
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to Director him/herself only)
- Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to Director him/herself only)
- Person who executes business for an entity receiving donations from the Company (applies to Director him/herself only)
- Other

Outside Directors' Relationship with the Company (2)

Name	Membership of Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Kako Kurasawa		○	The Foundation for Advanced Studies on International Development (FASID), where Kako Kurasawa holds a concurrent position, has no special relationship with the Company.	<p>Kako Kurasawa has been involved in sustainability-related business in her previous and current positions and, in addition to her expertise in sustainability, has experience working overseas in the manufacturing industry. The Company has determined that she is qualified to serve as an Outside Director of the Company.</p> <p>She also meets the Company's Criteria for Independence of Outside Directors, and we have determined that there is no possibility of a conflict of interest with general shareholders. Therefore, we have registered her as an independent director.</p>
Asaka Kanda	○	○	Tokyo Frontier Fund Legal Office, WIN-Partners Co., Ltd., and Nihon Kagaku Sangyo Co., Ltd., where Asaka Kanda holds concurrent positions, have no special relationship with the Company.	<p>The Company has determined that Asaka Kanda is qualified to serving as Outside Director who is an Audit and Supervisory Committee Member of the Company because he has professional knowledge as an attorney-at-law and experience involved in corporate management as Outside Corporate Auditor and Outside Director (Audit and Supervisory Committee Member).</p> <p>He also meets the Company's Criteria for Independence of Outside Directors, and we have determined that there is no possibility of a conflict of interest with general shareholders. Therefore, we have registered him as an independent director.</p>
Shoji Kiuchi	○	○	Tsunokamizaka Law Office, where Shoji Kiuchi holds a concurrent position, has no special relationship with the Company.	<p>The Company has determined that Shoji Kiuchi is qualified to serving as Outside Director who is an Audit and Supervisory Committee Member of the Company because he has professional knowledge as an attorney-at-law and by serving as a domestic affairs conciliation commissioner, member of a committee on administrative complaints, and others, and the Company believes that he will be able to utilize his knowledge and experience for the Company's management.</p> <p>He also meets the Company's Criteria for Independence of Outside Directors, and we have determined that there is no possibility of a conflict of interest with general shareholders. Therefore, we have registered him as an independent director.</p>
Mari Yajima	○	○	ZIGExN Co., Ltd., where Mari Yajima holds a concurrent position, has no special relationship with the Company.	The Company has determined that Mari Yajima is qualified to serve as Outside Director who is an Audit and Supervisory Committee Member of the Company because she has professional knowledge as a certified public

				<p>accountant and deep insight into corporate governance gained through her experience as an auditor at other companies and as General Manager of the Internal Audit Department of an insurance company.</p> <p>She also meets the Company's Criteria for Independence of Outside Directors, and we have determined that there is no possibility of a conflict of interest with general shareholders. Therefore, we have registered her as an independent director.</p>
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Audit and Supervisory Committee

Composition of Audit and Supervisory Committee and Attributes of the Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Committee Chair
Audit and Supervisory Committee	4	1	1	3	Inside Director

Appointment of Directors and/or Staff to Support the Audit and Supervisory Committee	Not Appointed
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Reasons for Adopting Current System

Since the Audit and Supervisory Committee Members selected by the Audit and Supervisory Committee attend important internal meetings and directly verify the fairness and legality of the company through their role in the Audit and Supervisory Committee, the committee does not request the permanent appointment of Directors or employees to assist the Audit and Supervisory Committee in its duties. If the Audit and Supervisory Committee were to request the appointment of Directors or employees to assist the committee, we will assign appropriate personnel in response to the committee's request. Furthermore, the internal audit department cooperates with the Audit and Supervisory Committee to assist in the committee's duties.

Cooperation among the Audit and Supervisory Committee, Accounting Auditors and Internal Audit Department

The Audit and Supervisory Committee (which includes three Outside Directors) and the internal audit department regularly hold forums to exchange opinions and share information. Once a quarter, the Audit and Supervisory Committee, the Internal Audit Office, and accounting auditors hold a forum to exchange opinions and share information. Furthermore, problems and issues that arise in the work of internal audits or in whistleblowing reports are resolved as needed by referring to the specialized knowledge of the Outside Directors.

The secondary control divisions are informed through the Corporate Governance Committee and feedback of internal audit results, etc., in order to understand the status of control and strengthen the control system. Furthermore, in cooperation with the Accounting Department, which is the secondary control department, full-time Audit and Supervisory Committee Members accompany accounting audits as necessary to understand the current situation and follow up on the results.

Voluntary Established Committee(s)

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee	Established
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Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chairperson

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Nomination							
	Advisory Committee	3	0	1	2	0	0	Outside Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Remuneration							
	Advisory Committee	3	0	1	2	0	0	Outside Director

Supplementary Explanation

In order to enhance transparency and objectivity regarding the nomination of Directors and the remuneration of Directors (excluding Directors who are Audit and Supervisory Committee Members) and Executive Officers, we established the Nomination Advisory Committee and the Remuneration Advisory Committee (hereinafter, “the Committees”) on December 14, 2020 as advisory bodies to the Board of Directors, with Independent Outside Directors making up the majority of the members of the Committees. In fiscal 2023, the Nomination Advisory Committee met four times and the Remuneration Advisory Committee met three times, with all members of the Committees attending all meetings. The Board of Directors respects and takes into account the Committees’ recommendations when deciding the nomination of Directors and the remuneration of Directors (excluding Directors who are Audit and Supervisory Committee Members).

The Nomination Advisory Committee deliberates on the validity and appropriateness of the overall process for appointing Directors. The Remuneration Advisory Committee deliberates on the validity and appropriateness of the overall process for determining remuneration. After deliberation, the Committees make reports or statements to the Board of Directors. Members of the Committees are appointed from among Directors by a resolution of the Board of Directors, with the majority of members of the Committees consisting of Independent Outside Directors.

The chairperson of the Committees is selected by the committee.

Committee members and chairpersons were appointed and selected as follows on June 26, 2024.

Nomination Advisory Committee: Tatsushi Ogawa, Shoji Kiuchi (chairperson), Kako Kurasawa

Remuneration Advisory Committee: Tatsushi Ogawa, Asaka Kanda (chairperson), Kako Kurasawa

Matters Concerning Independent Directors

Number of Independent Directors	4
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Other Matters Concerning Independent Directors

In order to objectively judge the independence of Outside Directors, the Company has established the following Criteria for the Independence of Outside Directors in reference to the criteria for determining the independence of independent directors and outside corporate auditors established by Tokyo Stock Exchange, Inc. Furthermore, all Outside Directors who meet the qualifications for an Independent Director are designated as Independent Directors.

Standards for Determining the Independence of Outside Directors

The Company deems that any Outside Directors and candidates for Outside Directors have maintained independence from the Company if it is determined that they satisfy all of the requirements outlined below.

1. A person who is not or has not been Executive Director (Note 1) or employee of the Company or its subsidiaries (collectively, the “MAX Group”) currently or during ten (10) years prior to appointment. Or a person who has served as non-Executive Director, Audit and Supervisory Committee Member or Accounting Advisor of the MAX Group at any time during ten (10) years prior to appointment but had never been an Executive Director or employee of the MAX Group during any of the ten (10) years prior to assuming that position.
2. A person who is not or has not been Director, Executive Officer, Audit and Supervisory Committee Member, Accounting Advisor or employee of the Company’s Major Shareholder (Note 2) or its parent or subsidiaries, if such party is a company, currently or during any of the ten (10) years prior to appointment.
3. A person who has not served as Director, Executive Officer, Audit and Supervisory Committee Member, Accounting Advisor or employee of an entity for which the MAX Group is a Major Shareholder during any of the ten (10) years prior to appointment.
4. A person who has not served as Director, Executive Officer, Audit and Supervisory Committee Member, Accounting Advisor or employee of a major client or supplier (Note 3) of the MAX Group, or its parent or significant subsidiaries (Note 4), if such party is a company, within three (3) fiscal years prior to appointment.
5. A person who does not belong to an organization (corporation, union, etc.) that has received a donation or grant from the MAX Group exceeding ¥10 million per year on average over the three (3) fiscal years prior to appointment.
6. A person who is not Director, Executive Officer, Audit and Supervisory Committee Member, Accounting Advisor, or Significant Employee (Note 5) of a company, or its parent company or subsidiary, if such party is a company, that has received Director, Executive Officer, Audit and Supervisory Committee Member, or Accounting Advisor from the MAX Group.
7. A person who is not or has not been Director, Executive Officer, Audit and Supervisory Committee Member, Accounting Advisor, or employee of a financial institution, a major creditor or its parent company or significant subsidiary, if such party is a company, that is essential for or relied on in financing of the MAX Group to an extent that there is no substitute for the entity, currently or during any of the three (3) years prior to appointment.
8. A person who is not or has not been a certified public accountant of an accounting auditor for the MAX Group, currently or during any of the three (3) years prior to appointment. In addition, a person who is an attorney-at-law, a certified public accountant, a tax accountant, or other consultant, and who, apart from Director remuneration, has not received from the MAX Group money consideration, etc. of ¥10 million or more annually on average over the three (3) years prior to appointment.
9. A person who currently does not belong or has not belonged to an organization (corporation, union, etc.), including a law office, an audit corporation, a tax accounting corporation, and a consulting firm, for which the MAX Group is a major client, currently or any of the three (3) years prior to appointment.

- 10. A person who does not belong or has not belonged to an audit corporation that is an accounting auditor for the MAX Group, currently or during any of the three (3) years prior to appointment.
- 11. A person who is not a close relative (Note 6) of the person who falls under 1 through 10 above. With respect to persons falling under 10 above, however, only the persons who are members or partners of the audit corporation that is an accounting auditor for the MAX Group, or employees of the audit corporation that is an accounting auditor for the MAX Group, and who actually have been involved in auditing (excluding involvement as an assistant) of the MAX Group.

- Note 1 “Executive Directors” refer to Directors prescribed in the items of Article 363, Paragraph 1 of the Companies Act and other Directors that execute the business of the Company.
- Note 2 A “Major Shareholder” refers to a shareholder who holds 10% or more voting rights.
- Note 3 “Major Client or Supplier” is a company for which payments and receipts to and from the MAX Group accounts for a considerable portion of the consolidated net sales, etc., of the MAX Group or the client or supplier.
- Note 4 A “Significant Subsidiary” refers to a subsidiary indicated as an important subsidiary in the business report or other publicly disclosed documents for the most recent business year of the Company.
- Note 5 A “Significant Employee” refers to a person in a position of General Manager or higher.
- Note 6 “Close relative” refers to a spouse, a family member within second degree, or a family member living together.

Incentives

Implementation Status of Measures related to Incentives Granted to Directors	Introduction of Performance-linked Remuneration Scheme; Other
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Supplementary Explanation for Applicable Items

Based on the “We strive to ensure management promises that company results are fairly shared by all stakeholders,” as stipulated in the MAX Fundamental Management Policy, the Company has adopted a performance-linked remuneration (executive bonus) system for Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members) that emphasizes profits from the core business and is linked to the amount of consolidated operating income. The method for determining performance-linked remuneration (executive bonus) is to use 28% of the “performance-linked profit” calculated based on the amount of consolidated operating income as the total source of bonuses for Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members) and employees, and to calculate each person’s performance-linked remuneration (executive bonus) linked to their monthly salary by using the calculation based on the Company’s internal rules.

The target for the performance-linked remuneration (executive bonus) for the fiscal year ended March 31, 2024 was 15,915 million yen, and the actual result was 18,260 million yen. A resolution to introduce restricted share-based remuneration was resolved at the 92nd Ordinary General Meeting of Shareholders. The aim is to create a remuneration system that raises awareness of contributing to improved corporate value in the medium to long term and realizes value sharing with stakeholders. The number of restricted shares to be granted to each eligible Director (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members) will be determined by multiplying the base remuneration amount by a coefficient set for each executive position based on his/her role and responsibilities to calculate the amount of remuneration claims granted to each eligible Director, and after determining the number of shares corresponding to the calculated amount, the number of restricted shares is granted based

on a resolution of the Board of Directors. When granting the shares, the Company and Director will enter into the restricted transfer agreement specified by the Company, which restricts the disposal of the granted shares by transfer, etc., until that Director resigns or retires from the position previously determined by the Board of Directors of the Company.

For the policy on determining the payment ratio of performance-linked remuneration, etc., please refer to section “II. 1 [Director Remuneration] Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods — Determination Policy (5)” of this report.

Persons Eligible for Stock Options		
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Supplementary Explanation for Applicable Items
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Director Remuneration

Status of Disclosure of Individual Director's Remuneration	No individual disclosure
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Supplementary Explanation for Applicable Items
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Executive remuneration, etc., for the fiscal year ended March 31, 2024 is disclosed in the business report and posted on the Company's website.

<https://ssl4.eir-parts.net/doc/6454/announcement/99589/00.pdf>

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods
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Directors' Remuneration (excluding Directors who are Audit and Supervisory Committee Members)

The Company has established a policy on determining remuneration for individual Directors (excluding Directors who are Audit and Supervisory Committee Members) by resolution of the Board of Directors (hereinafter, “the Determination Policy”). The details of the Determination Policy are as follows. When deciding on the Determination Policy, the Company consults with the Remuneration Advisory Committee on the details in advance and receives a report.

With regard to remuneration for individual Directors (excluding Directors who are Audit and Supervisory Committee Members) for fiscal 2023, the Board of Directors has confirmed that the method used to determine the content of remuneration, etc., and the content of the determined remuneration, etc., are consistent with the Determination Policy resolved by the Board of Directors, and that the recommendations from the Remuneration Advisory Committee have been respected, and has determined that those recommendations are in accordance with said Determination Policy.

Overview of Executive Remuneration

The remuneration for our executives consists of three elements: monthly remuneration (fixed remuneration), performance-linked

remuneration (executive bonus), and non-monetary remuneration (restricted share-based remuneration). Outside Directors and Directors who are Audit and Supervisory Committee Members are paid only monthly remuneration.

Determination Policy

(1) Basic Principles

- 1) The remuneration system enhances awareness of contributing to increased corporate value in the medium to long term and realizes sharing of value with stakeholders
- 2) The remuneration system is based on roles and responsibilities
- 3) The remuneration system encourages officers and employees to come together and take on challenges with an aim toward growth
- 4) The remuneration system is highly transparent and objective, thereby allowing us to fulfill our accountability to stakeholders

(2) Policy for Determining the Amount of Monthly Remuneration

Monthly fixed remuneration will be set within the remuneration limit (hereinafter, the “fixed remuneration framework”) resolved at the 92nd Ordinary General Meeting of Shareholders in June 2023. Monthly fixed remuneration will be calculated by multiplying the base remuneration amount (the applicable base remuneration amount is the same for executive bonuses and for restricted share-based remuneration) for each executive position based on their roles and responsibilities as executives by the monthly remuneration coefficient.

(3) Policy for Determining the Content and Method of Calculating the Amount of Performance-Linked Remuneration

Based on the “We strive to ensure management promises that company results are fairly shared by all stakeholders,” as stipulated in the MAX Fundamental Management Policy, the Company has adopted performance-linked remuneration (executive bonus) that emphasizes profits from the core business and is linked to the amount of consolidated operating income (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members). The method for determining performance-linked remuneration (executive bonus) is to use 28% of the “performance-linked profit” calculated based on the amount of consolidated operating income as the total source of bonuses for Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members) and employees, and to calculate each person’s performance-linked remuneration (executive bonus) by using the calculation per the Company’s internal rules based on the base remuneration amount.

(4) Policy for Determining the Content and Method of Calculating the Number of Non-monetary Remuneration

The Company has introduced a restricted share-based remuneration plan for Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members) with the aim of further sharing value with stakeholders. At the 92nd Ordinary General Meeting of Shareholders held in June 2023, it was resolved that the annual amount of restricted share-based remuneration will be set within 48 million yen (separate from the fixed remuneration framework) and the maximum number of restricted shares to be granted will be 35,000 shares per year. The number of restricted shares to be granted to each eligible Director will be determined by multiplying the base remuneration amount by a coefficient set for each executive position based on his/her role and responsibilities to calculate the amount of remuneration claims granted to each eligible Director, and after determining the number of shares corresponding to the calculated amount, the number of restricted shares is granted based on a resolution of the Board of Directors. When granting the shares, the Company and Director will enter into the restricted transfer agreement specified by the Company,

which restricts the disposal of the granted shares by transfer, etc., until that Director resigns or retires from the position previously determined by the Board of Directors of the Company.

(5) Policy for Determining the Ratio of the Amounts of Remuneration, Etc., in (2) to (4) to the Amount of Remuneration, Etc., for Individual Directors

The remuneration for our executives consists of three elements: monthly remuneration (fixed remuneration), performance-linked remuneration (executive bonus), and non-monetary remuneration (restricted share-based remuneration). Based on the Basic Principles stated above, the ratio of each remuneration is designed to be generally 50% for fixed remuneration, 35% for executive bonuses, and 15% for share-based remuneration, although the ratio of executive bonuses may vary depending on the Company's business performance.

(6) Policy for Determining the Timing and Conditions for Granting Remuneration, Etc.

Monthly fixed remuneration is paid on a regular monthly basis, while performance-linked remuneration (executive bonus) is paid based on the resolution of the Board of Directors following approval by ordinary resolution of the Ordinary General Meeting of Shareholders. Non-monetary remuneration (restricted share-based remuneration) is paid on a date determined by the Board of Directors each year based on a resolution of the Board of Directors.

(7) Method for Determining the Contents of Remuneration, Etc., for Individual Directors

The remuneration of Directors (excluding Directors who are Audit and Supervisory Committee Members) is discussed by the Remuneration Advisory Committee, which is an advisory body to the Board of Directors with a majority of Independent Outside Directors. The committee reports the results of their discussion to the Board of Directors. The Board of Directors then decides on monthly remuneration for each executive position, proposals for executive bonuses to be submitted to the General Meeting of Shareholders, amounts of individual executive bonuses, and the number of shares to be granted to each individual for restricted share-based remuneration. The Board of Directors respects the recommendation of the Remuneration Advisory Committee when making resolutions.

(8) Important Matters Concerning the Determination of Content of Remuneration, Etc., for Individual Directors

Remuneration for our executives (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members) includes non-monetary remuneration (restricted share-based remuneration). However, there are conditions attached to the remuneration. For example, during the period of restrictions on share transfer, if the Director to whom the shares are to be granted is sentenced to punishment of imprisonment or higher, or if certain circumstances such as a significant violation of laws and regulations apply to said Director, and if deemed appropriate by the Company's Board of Directors, the Company may acquire the corresponding shares free of charge.

Remuneration for Directors who are Audit and Supervisory Committee Members

Remuneration is determined through discussions among Directors who are Audit and Supervisory Committee Members based on the roles and responsibilities of each executive, within the remuneration limit resolved at the 85th Ordinary General Meeting of Shareholders held in June 2016. Only monthly remuneration is paid for executive remuneration.

Support System for Outside Directors

When holding a Board of Directors meeting, materials are distributed in advance and important matters are explained in advance.

Status of Persons who have Retired as Representative Director and President, etc.

Information on Persons Holding Advisory Positions (*Sodanyaku, Komon*, etc.) after Retiring as Representative Director and President, etc.

Name	Job title/ position	Responsibilities	Terms and Conditions of Employment (Full/part time, with/without remuneration, etc.)	Date when former role as president/ CEO ended	Term
Takashi Miida	Advisor	Provide advice upon request from the Company	Part- time, with remuneration	March 31, 2012	Lifetime
Mitsuteru Kurosawa	Advisor	Provide advice upon request from the Company	Part- time, with remuneration	June 28, 2023	5 years

Number of Persons Holding Advisory Positions (*Sodanyaku, Komon*, etc.)
After Retiring as Representative Director and President, etc.

2

Other Related Matters

The responsibilities for persons in advisory positions is to provide advice at the request of the Company. They will not attend meetings of the Board of Directors or Management Meetings, and will not be involved in management decision-making for the Company or the MAX Group.

At the Board of Directors meeting held on September 16, 2016, the decision was made to revise the internal rules and change the term of office for advisors appointed on or after October 1, 2016 to a fixed term of five years.

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

As the institutional structure of our company, the Company has adopted the structure of a Company with an Audit and Supervisory Committee and has introduced an executive officer system. The outline of our current corporate governance system is shown in the attached “Corporate Governance Chart.” In addition to the statutory Board of Directors and Audit and Supervisory Committee, we have established the Nomination Advisory Committee, Remuneration Advisory Committee, Corporate Governance Committee, etc., as main institutions to enhance corporate governance.

(1) Board of Directors

The Company’s Board of Directors consists of six Directors (excluding Directors who are Audit and Supervisory Committee Members and including one Independent Outside Director) and four Directors who are Audit and Supervisory Committee Members (including three Independent Outside Directors). The Board is chaired by the President.

It meets once a month and as necessary, and met 17 times in fiscal 2023.

The Board of Directors is positioned as a body that makes decisions on matters stipulated in laws, regulations, and the Articles of Incorporation, as well as important matters concerning management stipulated in the Company's Rules of the Board of Directors, such as management policies, business plans, investment plans, and establishment of and investment in subsidiaries, and supervises the execution of operations, to promote the Company's sustainable growth and enhancement of medium- to long-term corporate value in an effort to improve profitability and capital efficiency based on fiduciary responsibilities and accountability to shareholders.

In fiscal 2023, the Board of Directors reviewed and supervised the status of initiatives in each business area, and also discussed and deliberated the Medium-term Management Plan and initiatives to improve sustainability, which were identified as issues in the evaluation of the effectiveness of the Board of Directors.

Attendance at Board of Directors (FY2023)

Name	Attendance Status
Mitsuteru Kurosawa	4/4
Tatsushi Ogawa	17/17
Yoshihiro Kaku	17/17
Masahito Yamamoto	17/17
Hideyuki Ishii	13/13
Koji Kato	13/13
Kako Kurasawa	13/13
Tomohiko Nakamura	17/17
Minoru Hirata	17/17
Asaka Kanda	17/17
Shoji Kiuchi	17/17

2) Audit and Supervisory Committee

The Company's Audit and Supervisory Committee is made up of four members, including one full-time Audit and Supervisory Committee Member who is a Director and three part-time Audit and Supervisory Committee Members who are Independent Outside Directors. The reason for selecting a full-time Audit and Supervisory Committee Member is to strengthen the auditing and supervisory functions of the Audit and Supervisory Committee in gathering information from Directors (excluding Directors who are Audit and Supervisory Committee Members) and sharing information at important internal meetings, as well as ensuring thorough coordination with the internal audit department and the Audit and Supervisory Committee. The Audit and Supervisory Committee is chaired by a full-time Audit and Supervisory Committee Member.

It meets once a month and as necessary, and met 17 times in fiscal 2023.

As an organization that plays a role in the company's supervisory function and as a statutory independent institution entrusted by the shareholders, the committee performs the duties stipulated in the laws, regulations, and the Company's Rules of the Audit and Supervisory Committee, including auditing the execution of duties of Directors; preparing audit reports; deciding the details of proposals regarding the appointment, dismissal, and non-reappointment of the accounting auditor; and deciding the opinions of the Audit and Supervisory Committee regarding the appointment/dismissal or resignation of and remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members).

Attendance at Audit and Supervisory Committee (FY2023)

Name	Attendance Status
Tomohiko Nakamura	17/17
Minoru Hirata	17/17
Asaka Kanda	17/17
Shoji Kiuchi	17/17

(3) Nomination Advisory Committee

The Company established the Nomination Advisory Committee, the majority of whose members are Independent Outside Directors, as an advisory body to the Board of Directors to enhance transparency and objectivity in the nomination of candidates for Directors. The committee met four times in fiscal 2023. The Board of Directors respects recommendations from the Nomination Advisory Committee when deciding on candidates for Directors.

The Nomination Advisory Committee deliberates on the validity and appropriateness of the overall process for appointing Directors, and then provides recommendations and opinions to the Board of Directors. The members of the committee are appointed from Directors by a resolution of the Board of Directors, with the majority of committee members consisting of Independent Outside Directors. The chairperson of the committee is selected by the committee.

In fiscal 2023, the committee deliberated on the composition of the Board of Directors and the appointment, etc., of Directors, and submitted recommendations to the Board of Directors.

Attendance at Nomination Advisory Committee (FY2023)

Name	Attendance Status
Mitsuteru Kurosawa	1/1
Tatsushi Ogawa	3/3
Minoru Hirata	3/3
Asaka Kanda	1/1
Shoji Kiuchi	4/4

(4) Remuneration Advisory Committee

The Company established the Remuneration Advisory Committee, the majority of whose members are Independent Outside Directors, as an advisory body to the Board of Directors to enhance transparency and objectivity regarding remuneration, etc., for Directors (excluding Directors who are Audit and Supervisory Committee Members) and Executive Officers. The committee met three times in fiscal 2023. The Board of Directors respects and takes into account the committee's recommendation when resolving on remuneration, etc., for Directors (excluding Directors who are Audit and Supervisory Committee Members).

The Remuneration Advisory Committee deliberates on the validity and appropriateness of the overall process for determining remuneration, and then makes reports or statements to the Board of Directors. Committee members are appointed from Directors by a resolution of the Board of Directors, with the majority of committee members consisting of Independent Outside Directors. The chairperson of the committee is selected by the committee.

In fiscal 2023, the committee deliberated on remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members), proposals for executive bonuses to be submitted to the General Meeting of Shareholders, the amount of

individual executive bonuses for Directors, the introduction of share-based remuneration, etc., and submitted recommendations to the Board of Directors.

Attendance at Remuneration Advisory Committee (FY2023)

Name	Attendance Status
Mitsuteru Kurosawa	2/2
Tatsushi Ogawa	1/1
Minoru Hirata	2/2
Asaka Kanda	3/3
Shoji Kiuchi	1/1

(5) Management Meeting

The Company holds the Management Meeting hosted by the President, once a month as a body executing operations, thereby reviewing in advance the matters to be referred to the Board of Directors for discussion and supporting the President's decision making.

The Management Meeting consists of five Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members) and relevant staff nominated by the President. It is working to improve the quality of decision making to enable flexible response to changes in the business environment and decisions to be made based on on-site information.

In addition, the Business Review Meeting has been established to confirm the plans and results of each quarter, and the Business Strategy Meeting has been established to advance companywide, cross-functional initiatives. Both meetings, which are subordinate bodies of the Management Meeting, are hosted by the President. Matters discussed at the Business Review Meeting are reported to the Board of Directors meeting to be held in the month following the date of the Business Review Meeting.

In fiscal 2023, the Management Meeting confirmed and discussed the formulation of our Medium-term Management Plan and growth strategies for each business area, such as our rebar tying tool business. The meeting also examined and discussed themes such as how to address sustainability issues and create new businesses.

(6) Corporate Governance Committee

The Company convenes the Corporate Governance Committee, which is headed by the President and held quarterly, as an organization that promotes corporate ethics, legal compliance, risk management, and other compliance issues at the Company.

The Corporate Governance Committee is composed of Directors, Executive Officers, and division representatives, and is attended by the four Audit and Supervisory Committee Members.

The Corporate Governance Committee is working to improve and make progress in risk management companywide, based on the main themes of internal audit reports, case studies of other companies, risk management status by division, review of rules, and information security audits.

In fiscal 2023, in addition to the above, we planned and reported the results of subsidiary risk assessments and employee self-checks.

(7) Sustainability Committee

We established the Sustainability Committee (chaired by the President) as a decision-making body for sustainability strategies under

the supervision of the Board of Directors to promote sustainability-related activities, and the Sustainability Promotion Committee (chaired by the Director in charge of sustainability) as a subordinate body of the Sustainability Committee to promote various activities related to sustainability.

The Sustainability Promotion Committee (hereinafter, the “Promotion Committee”) met five times in fiscal 2023 to engage in discussions while utilizing the knowledge of Outside Directors. The committee discussed themes such as examination of engagement survey results and ways of proceeding with human rights due diligence. Furthermore, in consideration for the importance of sustainability-related activities, the content of the Promotion Committee’s discussions are reported at the Board of Directors in the next month following the date of the committee meeting.

The Sustainability Committee met once in fiscal 2023 to review the activities of the Promotion Committee and discuss future initiatives.

Based on this discussion, we have formulated a Medium-term Management Plan and business plan, and are working to integrate sustainability activities and business strategies to sustainably improve corporate value.

(8) Policies and Procedures for Nominating Candidates for Directors and Determining Director Remuneration

Please refer to “Principle 3-1 (iii) (iv)” and “Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods” in this report.

(9) Status of Auditing of Audit and Supervisory Committee

The four members of the Audit and Supervisory Committee possess appropriate experience and abilities in auditing, etc., as well as necessary knowledge in finance, accounting, and legal affairs. Two of them possess sufficient knowledge of legal affairs as lawyers. One of them possesses sufficient knowledge of finance and accounting as a certified public accountant.

The Audit and Supervisory Committee Members selected by the Audit and Supervisory Committee can request reports on the status of business execution from Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members) and employees as necessary, and can also exchange opinions with Directors (excluding Directors who are Audit and Supervisory Committee Members) and accounting auditors.

The Audit and Supervisory Committee mainly considers the advance confirmation of topics for meetings of the Board of Directors, audit reports, and the selection and evaluation of accounting firms. The committee confirms the maintenance and operation status of the internal control system through sharing the activities of the full-time Audit and Supervisory Committee Members, explanations of business conditions from each department manager, information sharing with the Internal Audit Office, inventory inspections, and participation in the Corporate Governance Committee. In addition, the full-time Audit and Supervisory Committee Members attend important meetings such as the Board of Directors, grasp the status of each business and department, and audit and supervise whether business operations are being conducted under an appropriate internal control system. Members also accompany the accounting auditors during site audits and internal audits, audit the appropriateness of auditing methods used by auditors and the audit results, and grasp the management issues and risks of the sites.

<Specific Activity Contents>

- From the perspective of enhancing corporate governance, the committee strengthens communication with accounting auditors, the internal audit department, and the secondary control department, and conducts audit activities for the Max Group, including domestic and overseas subsidiaries, by effectively combining the use of IT and on-site audits.

- From the perspective of increasing corporate value, the committee confirms whether sustainability initiatives, such as initiatives to ensure diversity among core human resources, are being appropriately considered and implemented.
- In order to achieve our management policy of realizing a company that is healthy, comfortable to work for and can grow, the committee ascertains the actual situation on-site and the progress of efficient working methods, and confirms the extent to which the management policy has been implemented.
- The committee receives reports from the heads of each department on their business plans and the related implementation status, and exchanges opinions.
- The committee discusses key audit matters (KAMs) with the accounting auditors and receives quarterly reports on the status from accounting auditors.

(10) Status of Internal Audits

The Company has established an Internal Audit Office that consists of four members and which mainly conducts audits in response to company-wide risks and audits that contribute to the effectiveness and efficiency of operations. Internal audits are conducted on the Company and its domestic and overseas subsidiaries, and are conducted on each site and department approximately once every two or three years according to the Basic Internal Audit Plan approved by the President and reported to the Board of Directors. The results of the internal audits are reported to the Corporate Governance Committee, which is attended by all officers, and to the Board of Directors on a quarterly basis.

The Internal Audit Office and full-time Audit and Supervisory Committee Members regularly exchange opinions and coordinate information. In addition, the Internal Audit Office provides prior explanations and exchanges opinions with the Audit and Supervisory Committee mainly on the contents of reports made at the Corporate Governance Committee meetings. Once a quarter, the Internal Audit Office, the Audit and Supervisory Committee, and accounting auditors hold a meeting (three-party audit meeting) to exchange opinions to promote information collaboration. The secondary control divisions receive information through the Corporate Governance Committee and feedback of internal audit results, etc., in order to understand the status of control and strengthen the control system.

(11) Status of Accounting Audits

We have appointed KPMG AZSA LLC as the Company's accounting auditor and have entered into an audit agreement with them for audits per the Companies Act and for audits per the Financial Instruments and Exchange Act. The certified public accountants (CPAs) who performed the audit for fiscal 2023 are listed below. The period of continuous audits by KPMG AZSA LLC dates back to 1984.

a. CPAs who performed the audit

Danya Sekiguchi, Designated Limited Liability Partner, Engagement Partner

Toru Tsukushi, Designated Limited Liability Partner, Engagement Partner

b. Composition of assistants involved in audit work

4 CPAs, 15 others

(12) Limitation of Liability Agreement

Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has entered into an agreement with its Outside Directors

and KPMG AZSA LLC to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act. The limit of liability in the agreement is equal to the minimum liability limit stipulated by laws and regulations.

3. Reasons for Adoption of Current Corporate Governance System

One reason why we have adopted the structure of a Company with an Audit and Supervisory Committee as our corporate organizational design is to strengthen the supervisory function of the Board of Directors and further enhance corporate governance by positioning Audit and Supervisory Committee Members who are responsible for auditing, etc., the performance of duties by Directors and establishing an Audit and Supervisory Committee that is composed of a majority of Independent Outside Directors.

By adopting an executive officer system, we aim to optimize the number of Directors, thereby enabling sufficient and lively discussion and swift and accurate decision-making.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanation
Early Posting of Notice of the General Meeting of Shareholders	The notice of the Ordinary General Meeting of Shareholders held on June 26, 2024 was sent out on May 27, 2024.
Electronic Exercise of Voting Rights	We have implemented electronic exercise of voting rights since the 87th Ordinary General Meeting of Shareholders held in June 2018.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	We participate in the institutional investor platform operated by ICJ, Inc.
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	We prepared an English translation of the Notice of Convocation and posted it on our website on May 21, 2024.
Other	We posted a convocation notice on the Company's website on May 21, 2024.

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	We posted the contents on the Company's website. https://www.max-ltd.co.jp/en/about/ir/policy/disclosurepolicy.html	
Regular Investor Briefings Held for Analysts and Institutional Investors	The President provides an explanation at the time of announcing the full-year and second quarter financial results. We hold a conference call attended by the officer in charge of IR when announcing the first and third quarter financial results.	Held
Online Disclosure of IR Information	The website contains summary of consolidated financial results, supplementary financial results materials, financial results briefing materials, Medium-term Management Plans, shareholder return policies, notices of convocation of the ordinary general meetings of shareholders, timely disclosure materials, securities reports, etc. https://www.max-ltd.co.jp/about/ir/	
Establishment of Department and/or Placement of a Manager in Charge of IR	Corporate Communications Dept.	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	<p>Our company creed states: “To take responsibility in supplying quality products,” “To strive to improve the lives of all MAX employees and develop their abilities to the fullest,” and “To accomplish steady progress for ourselves in order to provide continuous service to society and make contributions to the culture.” In addition, the MAX Group Employee Code of Conduct provides details of our code of conduct that respects the positions of each stakeholder.</p> <p>In regard to our dividend policy, we have been disclosing specific numerical standards since 1991, stating the target of “Guideline of a ratio of dividends to net assets of 5.0% and a dividend payout ratio of 50%, as based on consolidated financial results.”</p>
Implementation of Environmental Preservation Activities and CSR Activities, etc.	From fiscal 2022, we began issuing an Integrated Report summarizing our sustainability initiatives.
Formulation of Policies, etc. on Provision of Information to Stakeholders	<p>We disclose information in accordance with the Companies Act, the Financial Instruments and Exchange Act, and other laws and regulations, as well as the securities listing regulations set forth by the Tokyo Stock Exchange (hereinafter, “Timely Disclosure Rules”). We have also formulated a Disclosure Policy that incorporates our policy of striving to proactively and fairly disclose information that is not subject to Timely Disclosure Rules but that we deem useful for shareholders, investors and others to understand the Company. This policy serves as our basic policy for providing information to all stakeholders.</p>

IV. Matters Concerning the Internal Control System

1. Basic Views on Internal Control System and Status of Development

The Company has determined the following basic policy for establishing an internal control system.

System to ensure that the performance of duties by Directors complies with laws, regulations, and the Articles of Incorporation, and system to ensure the appropriateness of other operations

(1) System to ensure that the performance of duties by Directors and employees of the MAX Group complies with laws, regulations, and the Articles of Incorporation, and to ensure the appropriateness of operations by companies and operations by the corporate group

We have established the MAX Group Employee Code of Conduct and require compliance from Directors and employees of the MAX Group; specifically, the Code requires Directors and employees to obey laws, regulations, and internal rules, and to act with high ethical standards and good sense. Also, the internal audit department conducts regular audits based on the Internal Audit Rules.

Additionally, we set up a whistleblowing desk (MAX Helpline) and established a system for identifying inappropriate behavior.

We take a resolute, organizational stance against anti-social forces and established a system to sever any ties with anti-social forces, including by signing memoranda of understanding with business partners.

(2) System to store and manage information related to the execution of duties by Directors

The secretariat of the Board of Directors prepares minutes of the General Meetings of Shareholders, meetings of the Board of Directors, and other important meetings hosted by Directors, and makes the minutes available for viewing by Directors at any time. These documents are appropriately stored and managed in accordance with our Document Retention Period Rules.

(3) Regulations and other systems for managing the risk of loss

We defined the Management-related Meeting Rules and established a Corporate Governance Committee that meets regularly to identify, understand, and respond to risks throughout the Company. In addition, the internal audit department ascertains the individual risk management status of each department during audits and regularly reports to the Corporate Governance Committee. The risk management status at the Corporate Governance Committee is reported to the Board of Directors, and improvements and progress regarding risk management in each department are implemented throughout the Company.

(4) System to ensure efficient performance of duties by Directors

We formulated a management policy based on our company creed and fundamental management policy. With the approval of the Board of Directors, we use the management policy as a basis to formulate a Medium-term Management Plan and annual business plan which are more concrete than the Medium-term Management Plan. Each department then executes business based on these plans.

In addition to meetings of the Board of Directors, we also regularly hold management meetings, business meetings, and business strategy meetings as important internal meetings to share information across the Company in order to increase the speed of decision-making and streamline the execution of duties.

(5) System to ensure the appropriateness of operations in the corporate group consisting of the Company and its subsidiaries

(5)-a) System for reporting matters related to the duties of Directors, etc., of subsidiaries to the Company

The Company's Basic Policy for the Management of Affiliated Companies requires that subsidiaries report to the Company on their business performance, financial status, and other important information on a regular basis. Based on these reports, the departments in charge of each subsidiary ascertain the situation of each subsidiary and regularly report on the subsidiary's business performance and financial status at business meetings and meetings of the Board of Directors.

(5)-b) Rules and other systems regarding the management of risk of loss at subsidiaries of the Company

The Company established a system in which the Corporate Governance Committee is positioned as the organization responsible for risk management of the MAX Group, and in which we discuss issues and countermeasures related to promoting risk management for the entire MAX Group, including subsidiaries.

We established a system in which the internal audit department ascertains the individual risk management status of each subsidiary during audits of subsidiaries, and then regularly reports to the Corporate Governance Committee and the Board of Directors, thereby enabling company-wide improvements and progress in risk management for each subsidiary.

(5)-c) System to ensure efficient performance of duties by Directors, etc., of subsidiaries of the Company

The Company formulates a three-year Medium-term Management Plan for the MAX Group. In order to materialize the Medium-term Management Plan, we define short-term business plans for the entire Group for each fiscal year. Each department executes its business based on the plan.

We also established a system to ensure the efficient sharing of information and the execution of duties by the subsidiaries by regularly holding meetings between the departments in charge of each subsidiary and the subsidiaries.

(5)-d) System to ensure that the performance of duties by Directors, etc., and employees at subsidiaries of the Company complies with laws, regulations, and the Articles of Incorporation

We have established the MAX Group Employee Code of Conduct and require compliance from Directors and employees of the MAX Group; specifically, the Code requires Directors and employees to obey laws, regulations, and internal rules, and to act with high ethical standards and good sense. Also, the internal audit department conducts regular audits based on the Internal Audit Rules. Additionally, we set up a whistleblowing desk (MAX Helpline) and established a system for identifying inappropriate behavior.

(6) Matters concerning Directors and employees for whom appointment is requested by the Audit and Supervisory Committee to assist in the Committee's duties, and ensuring the independence of such Directors and employees from Directors (excluding Directors who are Audit and Supervisory Committee Members) and the effectiveness of instructions from the Audit and Supervisory Committee

The Audit and Supervisory Committee selects Audit and Supervisory Committee Members who attend important internal meetings, etc. The Audit and Supervisory Committee is able to directly verify the fairness and legality of the company, so there is no need to permanently appoint Directors or employees to assist the Audit and Supervisory Committee in its duties. If the Audit and Supervisory Committee requests the appointment of Directors or employees to assist the committee, appropriate personnel will be assigned at the request of the Audit and Supervisory Committee. In addition, the internal audit department works with the Audit and Supervisory Committee to assist in the duties of the committee.

(7) System for the Company's Directors (excluding Directors and Directors who are Audit and Supervisory Committee Members), etc., and Directors of the Company's subsidiaries to report to the Audit and Supervisory Committee of the Company

(7)-a) System for the Company's Directors, etc., to report to the Audit and Supervisory Committee

The Audit and Supervisory Committee Members selected by the Audit and Supervisory Committee attend important internal meetings such as business meetings and business strategy meetings, and ascertain the status of business execution and decision-making processes.

The internal audit department works closely with the Audit and Supervisory Committee in regard to information obtained from internal audits, including reporting audit results.

(7)-b) System for Directors, etc., of the Company's subsidiaries to report matters reported by company officials to the Company's Audit and Supervisory Committee

The internal audit department regularly audits our subsidiaries and reports the information obtained from the audit results to the Audit and Supervisory Committee.

Under the whistleblowing system, the status of whistleblowing reports is reported to the Audit and Supervisory Committee via the internal audit department.

(8) System to ensure that whistleblowers are not subject to unfavorable treatment due to reporting under the previous paragraph

We prohibit those who make whistleblowing reports to the Audit and Supervisory Committee from being treated unfavorably because of their reporting. The Whistleblowing Rules stipulate that if a whistleblowing report or consultation is made for the good of public interest, the person who made the report will not be treated unfavorably because of their reporting.

(9) Policy regarding the treatment of expenses incurred in the performance of duties by the Audit and Supervisory Committee Members

When the Audit and Supervisory Committee requests advance payment or reimbursement of expenses incurred in the performance of its duties or bills other expenses incurred in the performance of such duties, those expenses will be paid promptly.

(10) Other systems to ensure effective audits by the Audit and Supervisory Committee

The Audit and Supervisory Committee can request reports on the status of business performance as necessary from Directors and employees of the MAX Group, and can exchange opinions, etc., with Directors and accounting auditors.

(11) System to ensure the reliability of financial reporting

In order to ensure the reliability of financial reporting as stipulated by the Financial Instruments and Exchange Act, etc., we established a system of internal controls related to finances, and are working to maintain and improve that system.

2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development

The MAX Group takes a firm stance and systematically deals with anti-social forces that pose a threat to social order and healthy corporate activities. The Group is committed to not having any relationships (including business relationships) with anti-social forces

by establishing the MAX Group Employee Code of Conduct and ensuring that all officers and employees are fully aware of the code.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
Supplementary Explanation for Applicable Items	

2. Other Matters Concerning the Corporate Governance System

The Company's basic stance on timely disclosure

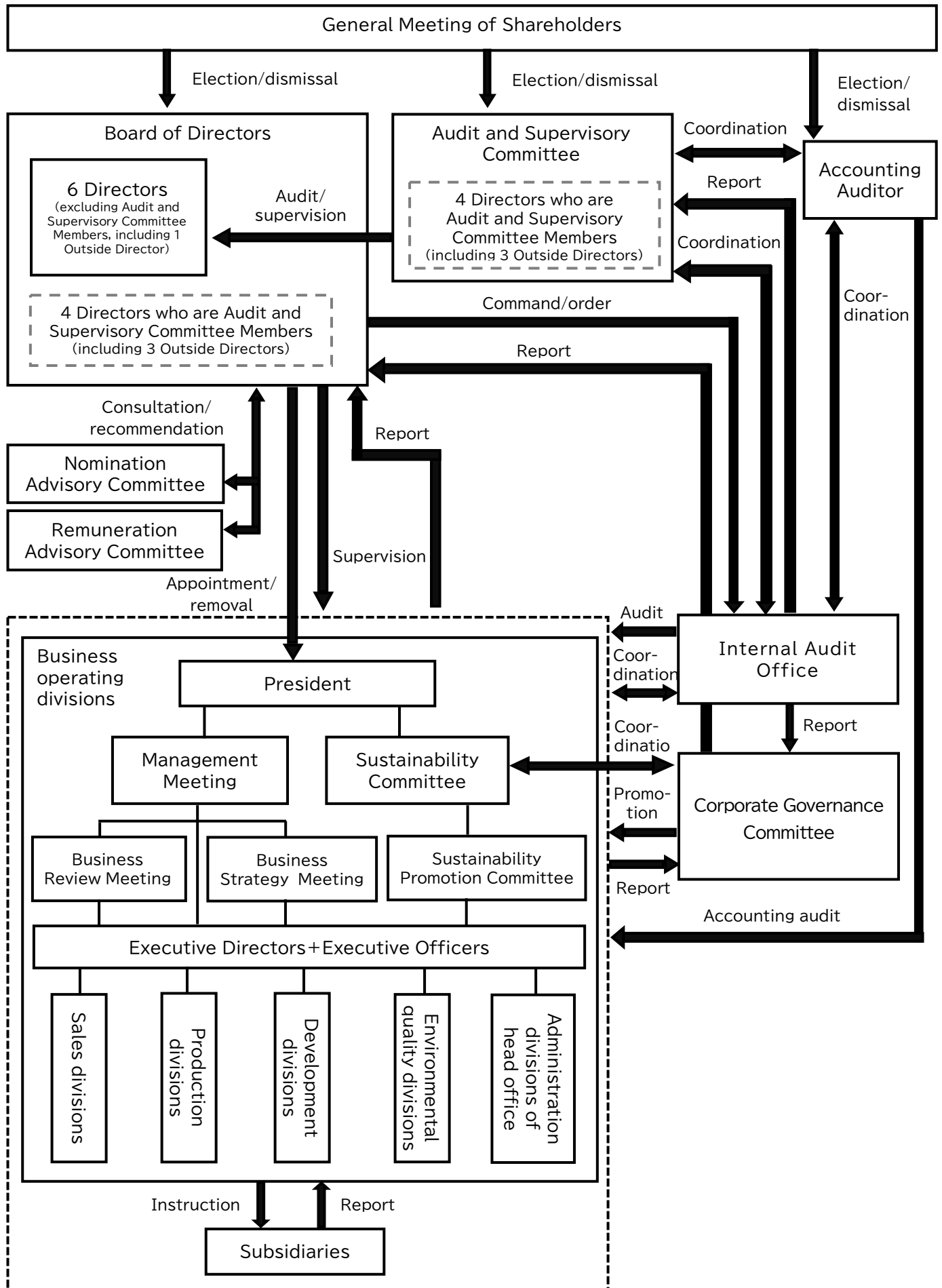
The Company believe that building trusting relationships with stakeholders is important to enhance corporate governance. In order to build trusting relationships, we strive to proactively and fairly disclose information that we believe is useful for stakeholders to understand our Company, not only in accordance with our Timely Disclosure Rules, but also for information that does not fall under the Timely Disclosure Rules.

Based on the above ideas, we established a Disclosure Policy and Corporate Internal Information Management Rules regarding the understanding and management of important facts, and built an internal system for ascertaining facts that have a significant impact on investors' decisions and disclosing them in a timely and appropriate manner.

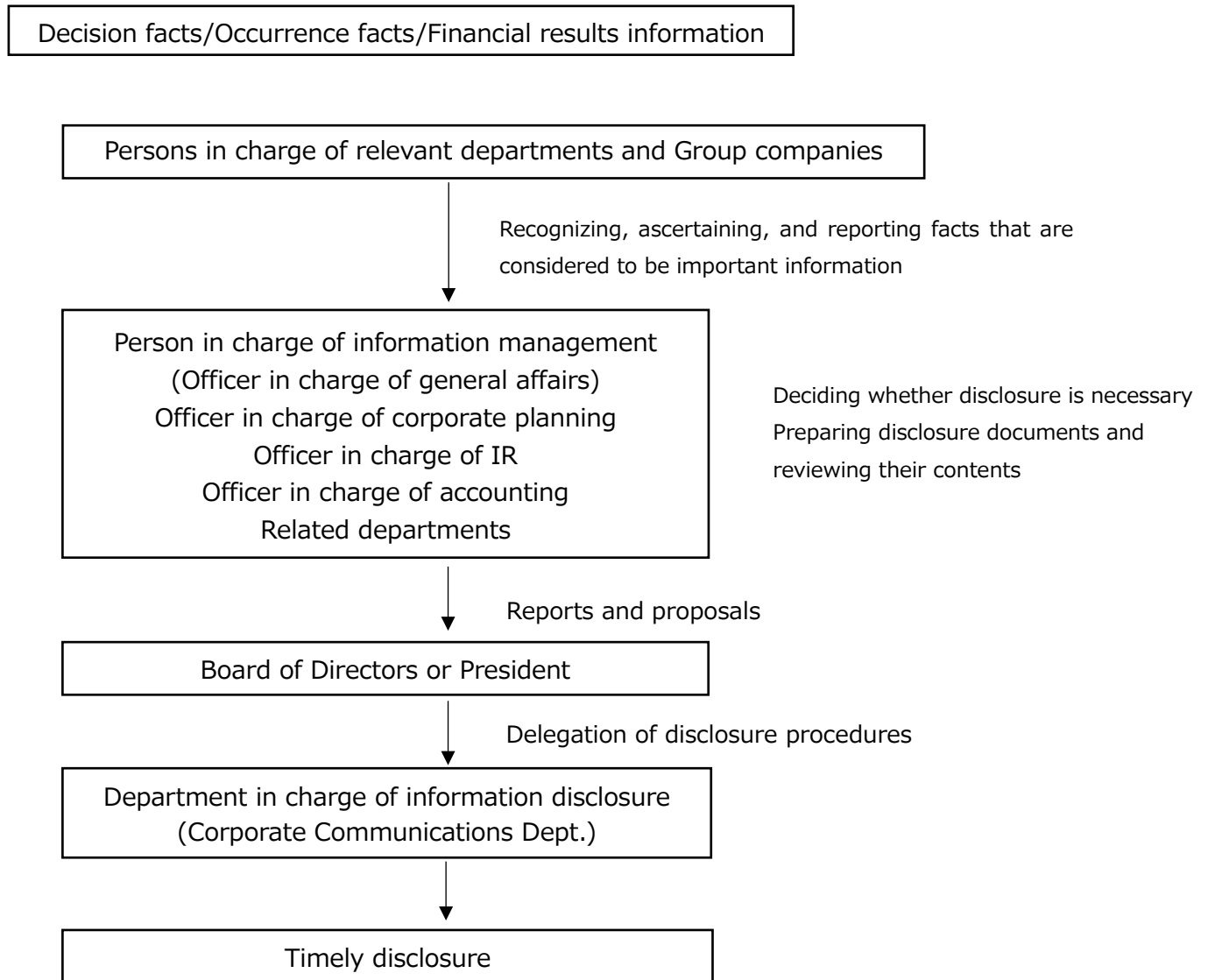
Internal system for timely disclosure

- (1) If any fact that is considered to be important information occurs in any of the Company's divisions or subsidiaries, the representative director of each department or subsidiary will ascertain and understand the fact and report it to the person in charge of information management (officer in charge of general affairs).
- (2) The person in charge of information management, officer in charge of corporate planning, the officers in charge of IR, the officer in charge of accounting, and related divisions (hereinafter, these five parties are collectively referred to as the "Review Department") will review whether the reported information constitutes an important fact and whether timely disclosure is necessary.
- (3) The person in charge of information management will report and propose to the Board of Directors or the President any matters for which the review department has determined that information disclosure is necessary.
- (4) The Board of Directors or the President will make the final decision on information disclosure and delegate disclosure work to the department in charge of information disclosure.
- (5) The department in charge of information disclosure will make timely disclosure.

Corporate Governance Chart



Overview of the Internal System for Timely Disclosure (Diagram)



Skills Matrix

	Name	Position	Basic business function							The Company's strategy	
			Business management	Sales	Technology	Sustainability	Accounting	Legal affairs	Human resources	Global business	Planning / New business
1	Tatsushi Ogawa	President	◎		◎						◎
2	Yoshihiro Kaku	Senior Managing Director	◎	◎		○	◎		○	◎	◎
3	Masahito Yamamoto	Managing Director	◎	◎	◎					◎	○
4	Hideyuki Ishii	Director	◎		◎	○				◎	
5	Koji Kato	Director			◎	○					◎
6	Kako Kurasawa	Outside Director				◎				◎	◎
7	Tomohiko Nakamura	Director (Audit and Supervisory Committee Member)		◎							
8	Asaka Kanda	Outside Director (Audit and Supervisory Committee Member)						◎	◎		
9	Shoji Kiuchi	Outside Director (Audit and Supervisory Committee Member)						◎			
10	Mari Yajima	Outside Director (Audit and Supervisory Committee Member)					◎				

Notes:

1. The symbol "◎" indicates experience for three or more years, and "○" for two or more years.
2. Human resources include experience in the nomination and remuneration committees of other companies.