

Corporate Governance Guidelines

F.C.C. CO., LTD.

Chapter 1 General Provisions

(Basic Views on Corporate Governance)

Article 1

Based on its corporate philosophy, the Company endeavors to enhance its corporate governance as one of the top management issues, aiming to build trust of its stakeholders, including shareholders, customers, employees, and local communities, conduct an agile and decisive decision-making in a fair and transparent way and pursue its continuous growth and an increase in corporate value over the medium to long term.

<Corporate Philosophy>

“F.C.C. Co., Ltd. is committed to making a contribution to society by supplying products and services that make the best of ideas and technology to satisfy customers in every way.”

Chapter 2 Relationship With Shareholders

(Ensuring Shareholder Rights and Equality)

Article 2

1. While ensuring equality for our shareholders, the Company also ensures their rights and creates an environment for them to exercise them appropriately.
2. The Company creates an environment for shareholders to exercise their rights appropriately at the General Meeting of Shareholders.
3. Where a considerable number of votes have been cast against a proposal by the Company although the proposal was approved at the General Meeting of Shareholders, the Board of Directors will analyze the reasons behind opposing votes and why many shareholders opposed, and consider a response where necessary.

(Constructive Dialogue With Shareholders)

Article 3

1. The Company establishes guidelines related to the creation of systems and initiatives to promote dialogue with shareholders and discloses these as our disclosure policy.

2. The Company has a system in place to provide appropriate feedback to the Board of Directors on opinions and other information identified through dialogue with shareholders.

(Basic Policy on Capital Policy)

Article 4

The Company's basic policy is to continue to pay a stable dividend from a comprehensive point of view based on consolidated financial performance and dividend payout ratio, etc., while striving to improve corporate value by making capital investments and carrying out research and development activities necessary for future growth and thus maintaining and strengthening its competitiveness.

(Policy on Cross-Shareholdings)

Article 5

1. The Company may hold investment shares from viewpoints, including the maintenance and strengthening of business relationships with customers and transaction partners, in cases where it judges their ownership contributes to enhancing its corporate value in the medium and long term.
2. The Board of Directors evaluates the suitability of owning cross-shareholdings every year, taking benefits, risks and the like involved in holding them into consideration, in addition to the nature and scale of transactions.
3. The Company appropriately exercises voting rights for cross-shareholdings by respecting the management policies of the company in question and considering the purpose of the ownership of the cross-shareholdings.

(Conflict-of-Interest Transactions)

Article 6

Where Directors attempt to conduct transactions with the Company on behalf of themselves or a third party, according to the procedures established by the Companies Act, they obtain the approval of the Board of Directors and report that material fact to the Board of Directors.

Chapter 3 Relationships With Stakeholders Other Than Shareholders

(Relationships With Stakeholders)

Article 7

The Company recognizes that its sustainable growth and increase in corporate value over

the medium to long term is the result of diverse stakeholders other than shareholders providing resources and making contributions, and works to cooperate appropriately with these stakeholders.

Chapter 4 Responsibilities of the Board of Directors

(Roles and Responsibilities of the Board of Directors)

Article 8

1. The Board of Directors makes decisions on management policies and other important business execution aimed at sustainable growth and increase in corporate value over the medium to long term given its fiduciary responsibility and accountability to the Company's shareholders.
2. In addition to items stipulated by laws and regulations and the Company's Articles of Incorporation, the Board of Directors establishes items to be resolved at the Board of Directors according to the Regulations of the Board of Directors.
3. Starting with the development of internal controls, the Board of Directors develops an environment to support appropriate risk taking.
4. To strengthen the independence, objectivity, and accountability of the functions of the Board of Directors related to Director nomination and remuneration, the Company has established the Nomination and Remuneration Advisory Committee composed mainly of independent Outside Directors as an advisory body to the Board of Directors. The Board of Directors will fully respect the contents of recommendations provided by the Nomination and Remuneration Advisory Committee.

(Composition of the Board of Directors)

Article 9

1. The Board of Directors shall be composed of no more than 12 appropriate persons, as stated in the Company's Articles of Incorporation, of which no more than 5 are Directors who are Audit and Supervisory Committee Members.
2. At least one third of the Board of Directors shall be composed of the independent Outside Directors.
3. To fulfill its roles and responsibilities effectively, the composition of the Board of Directors as a whole shall have a balance in diverse knowledge and experience that considers diversity, including gender, internationality, work experience, and age.
4. The Company thoroughly considers the independence of Outside Directors based on the independence criteria set by the Tokyo Stock Exchange.

5. Directors who are Audit and Supervisory Committee Members shall include persons with a sufficient level of expertise on finance and accounting.

(Policy on Appointment and Dismissal of Directors)

Article 10

1. Directors shall be people with outstanding character and insight, as well as impeccable morals.
2. Directors shall be persons with expertise and abundant experience related to the operations of the Company or persons with expertise and abundant experience in their native field.
3. The Board of Directors receives recommendations from the Nomination and Remuneration Advisory Committee and decides on the appointment and dismissal of Directors based on the composition of the Board of Directors provided for in the preceding article while considering the qualities necessary for the appropriate execution of duties by the Directors.

(Policy on Determining Remuneration for Officers)

Article 11

1. The Company's remuneration system for Directors is linked to business performance and shareholder benefit so that it can function as a sound and appropriate incentive for sustainable growth. The Company's basic policy on remuneration for individual Directors is to pay reasonable levels based on factors such as work responsibilities. Remuneration for Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members) comprises basic remuneration, remuneration based on individual assessment, performance-based bonus, and share-based remuneration. Remuneration for Outside Directors and Directors who are Audit and Supervisory Committee Members comprises only basic remuneration considering the duties involved in their roles.
2. Basic remuneration is a fixed monthly remuneration paid in cash and is determined comprehensively taking into account factors including position, work responsibilities, and remuneration levels at other companies.
3. Remuneration based on individual assessment is cash remuneration based on factors such as a qualitative assessment of the individual Director's contribution to business performance which is paid monthly as an addition to basic remuneration in the following business year. Performance-based bonus is cash remuneration that reflects key performance indicators (KPI) aimed at enhancing awareness regarding improving business performance each business year. An amount calculated in accordance with consolidated operating profit for each business year is paid as bonus at a fixed time each year.

Furthermore, if there are any factors that require special consideration, they will be deliberated at the Nomination and Remuneration Advisory Committee.

4. Share-based remuneration is the granting of common shares subject to transfer restrictions (“restricted shares”) until the time of retirement at a fixed time each year with the purpose of promoting shared value with shareholders.
5. This is considered by the Nomination and Remuneration Advisory Committee using remuneration levels, etc. at companies of a similar size that belong to the same sector and business category as the Company as benchmarks. The target ratio of different types of remuneration, etc. at standard times is basic remuneration : remuneration based on individual assessment : performance-based bonus : share-based remuneration = 65:10:10:15.
6. Regarding items related to remuneration for officers, remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members) is decided by resolution of the Board of Directors within the scope of the maximum amount approved by the General Meeting of Shareholders after receiving recommendations from the Nomination and Remuneration Advisory Committee, of which Outside Directors form a majority, to ensure appropriateness and the objectivity and transparency of the decision-making process. Remuneration for Directors who are Audit and Supervisory Committee Members is determined through discussions among Directors who are Audit and Supervisory Committee Members within the scope of the maximum amount approved by the General Meeting of Shareholders. The determination of the specific amount of remuneration for individual Directors has been entrusted to the President and Representative Director by resolution of the Board of Directors, and the President and Representative Director makes these decisions based on recommendations from the Nomination and Remuneration Advisory Committee.

(Evaluation of the Effectiveness of the Board of Directors)

Article 12

Every year, the Board of Directors analyzes and evaluates its overall effectiveness and discloses a summary of the results.

(Training for Directors)

Article 13

The Company holds training for Directors when they assume their office and provides an opportunity for them to acquire necessary knowledge on management, laws and regulations, and finance, etc., and to understand fully the roles and responsibilities

expected of them. Incumbent Directors are also given a continuing opportunity to renew and update such knowledge as necessary.

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