

Corporate Governance Basic Policy

July 11, 2024

SIGMAKOKI CO., LTD.

Chapter I General Provisions

Article 1 Purpose

SIGMAKOKI CO., LTD. (hereinafter referred to as “SIGMAKOKI” or the “Company”) has established this Corporate Governance Basic Policy for the purpose of realizing sustainable growth and enhancing the corporate value of the SIGMAKOKI Group.

Article 2 Management Principles of the SIGMAKOKI Group

The SIGMAKOKI Group has established the following management principles for the Group, and is committed to making it known and understood both within and outside the Group, and to working sincerely to realize it.

(1) Management Principles

“SIGMAKOKI will contribute to society through optical industries.”

(1) SIGMAKOKI will deliver valuable products to its customers and always strive for technical innovation.

(2) Through fair business activities, SIGMAKOKI will ensure the happiness of all its employees and partners.

(3) SIGMAKOKI will incorporate and raise awareness for socially sustainable management.

(2) Brand Statement

“Light Solutions for Life”

(3) Company Motto

“Appreciation” “Challenge” “Creation”

Article 3 Basic Concept Regarding Corporate Governance

1. Based on the SIGMAKOKI Group Management Principles and under its responsibility as a manufacturing company to “provide valuable light solutions that support society, people's daily lives, and human life,” SIGMAKOKI aims to contribute to solving social issues and developing a sustainable society through fair, sound, and transparent business activities.

SIGMAKOKI aims to realize sustainable growth and enhance corporate value of the SIGMAKOKI Group by promoting the following initiatives based on the Corporate Governance Basic Policy.

- (1) Establish, maintain, and improve an organizational structure that enhances the soundness and effectiveness of management by further strengthening the supervisory function of business execution.

- (2) Improve management transparency through appropriate information disclosure and dialogue with various stakeholders, including shareholders, customers, business partners, society, and employees.
- (3) Maximize customer satisfaction by providing valuable light solutions through continuous technological innovation.
- (4) Create an internal environment where employees can work continuously by conducting education and training programs to develop and improve the skills of employees of all genders and nationalities.
- (5) Promote social contribution activities such as education support for the next generation and solving the climate change problem, with an emphasis on achieving culturally, economically and environmentally sustainable development together with countries and local communities.

2. The Company's basic policy on corporate governance shall be as follows.

- (1) SIGMAKOKI respects the rights of shareholders and ensures their equality.
- (2) SIGMAKOKI respects the position and rights of its various stakeholders, including shareholders, investors, customers, business partners, society, and employees, and will create appropriate cooperative relationships with them.
- (3) SIGMAKOKI ensures transparency in management through appropriate disclosure of corporate information and constructive dialogue with shareholders in order to enhance the common interests of shareholders.
- (4) SIGMAKOKI will establish an organizational structure to improve the objectivity and transparency of management, including the effective use of SIGMAKOKI's Outside Directors, and enhance the effectiveness of the supervisory (monitoring) function of the Board of Directors over business execution.

Chapter II Ensuring the Rights and Equality of Shareholders

Article 4 Ensuring Equality of Shareholders

1. SIGMAKOKI will treat all shareholders equally according to their shareholdings.
2. SIGMAKOKI will disclose information in a timely and appropriate manner to prevent information disparities among shareholders.

Article 5 Ensuring the Rights of Shareholders

1. SIGMAKOKI will take the necessary measures and create an appropriate environment in accordance with laws and regulations in order to ensure the rights of its shareholders. In particular, SIGMAKOKI will ensure that foreign shareholders and minority shareholders will not be unreasonably prevented from exercising their rights.

2. SIGMAKOKI regards shareholders with voting rights recorded in the shareholders' register as of the record date as shareholders who are entitled to exercise their voting rights, and does not allow substantial shareholders to attend the meetings since there is currently no way to confirm the legitimacy of such shareholders. However, if a request to attend a General Meeting of Shareholders is made in advance and it is confirmed on the basis of appropriate evidence that the person who made the request is a substantial shareholder, consideration will be given to allowing the person to attend the meeting and exercise voting rights after consulting with the trust bank and other relevant parties.

Article 6 General Meeting of Shareholders

1. SIGMAKOKI will make efforts to create the following environment so that shareholders will be able to properly exercise their voting rights, which is one of the most important rights of shareholders, at the General Meeting of Shareholders as the highest decision-making organ of SIGMAKOKI.
 - (1) The schedule of the General Meeting of Shareholders will be set appropriately from the viewpoints of enhancing constructive dialogue with shareholders and providing accurate information.
 - (2) A convocation notice of the annual General Meeting of Shareholders will be sent out at least three (3) weeks prior to the date of the meeting. The convocation notice will be disclosed on the SIGMAKOKI website and through electronic media prior to dispatch.
 - (3) Recognizing that the exercise of voting rights at the General Meeting of Shareholders is an important right of shareholders, SIGMAKOKI will adequately provide information that will contribute to the shareholders' decision to exercise their voting rights.
 - (4) SIGMAKOKI will ensure convenience for all shareholders by introducing systems such as the Internet voting system and preparing the convocation notice in English.
2. In the event that there is a proposal submitted by the Company to the General Meeting of Shareholders that is approved but is opposed by a significant number of shareholders, the Board of Directors will analyze the reasons for the opposition and the cause for the large number of votes against the proposal and consider necessary measures.

Article 7 Capital Policy

1. SIGMAKOKI will determine and implement the necessary capital policy, taking into consideration the balance among financial soundness, shareholders' equity efficiency, and shareholder return, since the trends of capital policy, such as the way of fundraising and appropriation of profits, have a significant impact on shareholders' rights and interests.
2. SIGMAKOKI will determine and implement a dividend policy based on a consolidated dividend payout ratio, taking into consideration the strengthening of the corporate structure and growth investments from a long-term perspective with respect to shareholder returns.

Article 8 Cross-Shareholdings

1. In regard to cross-shareholding, SIGMAKOKI may hold such shares to the minimum extent necessary upon resolution of the Board of Directors if it is considered that such shares will contribute to the future sustainable development of the SIGMAKOKI Group and medium- to long-term enhancement of corporate value through maintaining and strengthening stable and continuous business relationships with the companies in which SIGMAKOKI holds such shares.
2. The Board of Directors will annually review the rationality of the purpose of each cross-shareholding and the return and risk involved in holding such shares, and decide on the appropriateness of holding such shares.

The Board of Directors will periodically review and report on the appropriateness of holding these shares, and will sell any shares for which the Board of Directors determines that the significance of the cross-shareholding has diminished.

3. With respect to the exercise of voting rights for shares held under the cross-shareholding, SIGMAKOKI will appropriately decide for or against and exercise the voting rights, taking into consideration factors as to whether or not each proposal will contribute to the Company's purpose of holding such shares, the impact on SIGMAKOKI, the enhancement of the corporate value of the relevant company, and the common interests of the shareholders of the relevant company.

Article 9 Related Party Transactions

SIGMAKOKI shall obtain the approval of the Board of Directors for any competition transactions and transactions involving conflicts of interest between Directors/Executive Officers in accordance with laws and regulations and the Rules of the Board of Directors of SIGMAKOKI. The results of such transactions will be reported to the Board of Directors. In addition, transactions of high importance with major shareholders, etc. are regarded as matters to be resolved or reported at the Board of Directors meeting.

Article 10 Determination of Whereabouts of Controlling Interests of SIGMAKOKI

In introducing and conducting anti-takeover measures, SIGMAKOKI will, from the perspective of fulfilling the Board of Directors' fiduciary responsibility to shareholders, carefully evaluate and consider as to whether such measures will contribute to the enhancement of the Company's corporate value and the common interests of shareholders, promptly disclose and fully explain its opinion to shareholders, and thereby ensure the appropriate procedures.

Chapter III Relationship with Stakeholders

Article 11 Establishment of Good Relationship with Stakeholders

SIGMAKOKI will make efforts to build good relationships and appropriate cooperation with various stakeholders, including shareholders, customers, business partners, society, and employees, for the Company's sustainable growth and enhancement of corporate value over the medium- to long-term.

Article 12 Internal Reporting System

1. In order to detect and deal with violations of laws and regulations and inappropriate behavior at an early stage, SIGMAKOKI will establish an internal reporting system, set up a compliance hotline as an organization independent of the normal chain of command, and accept reports and consultations concerning compliance issues.
2. SIGMAKOKI will prohibit disadvantageous treatment of whistleblowers by maintaining internal regulations concerning compliance, and will protect anonymity by establishing an external contact point for whistleblowers.
3. The operation of the compliance hotline will be reported to the Board of Directors as appropriate, and the Board of Directors will supervise its operation.

Chapter IV Ensuring Appropriate Information Disclosure and Transparency

Article 13 Ensuring Appropriate Information Disclosure and Transparency

SIGMAKOKI is committed to timely disclosure in a highly fair and transparent manner, recognizing the importance of timely and appropriate information disclosure in accordance with laws, regulations, and rules in order to gain the understanding and trust of shareholders, customers, and other stakeholders. SIGMAKOKI will appropriately disclose financial information such as the Company's financial condition, operating results, and capital policies, and non-financial information such as information related to management policies including management basic principles and management plans and information related to risks and governance in accordance with laws and regulations, and will also proactively make efforts to provide other information, thereby enhancing corporate transparency.

Chapter V Corporate Governance Structure

Article 14 Organizational Structure

1. SIGMAKOKI has chosen to adopt a company with a board of corporate auditors as its organizational structure under the Companies Act, whereby Corporate Auditors and the Board of Corporate Auditors supervise and audit the execution of duties by Directors and Executive Officers.

2. The Board of Directors decides the basic policies of the Company, makes decisions on matters prescribed by the Companies Act and the Articles of Incorporation, as well as on matters to be resolved and matters to be reported that should be submitted to the Board of Directors, which are clearly set forth in the Rules of the Board of Directors as the scope of delegation to the management team, and supervises the business execution.
3. SIGMAKOKI has introduced an executive officer system to facilitate prompt decision making and business execution. Executive Officers report on the status of business execution at the meetings of the Board of Directors or other major meetings as appropriate.
4. SIGMAKOKI will establish a Business Promotion Committee consisting of Executive directors, Executive Officers, Division Managers, as well as a Management Committee consisting of the members of Business Promotion Committee and each division head, to deliberate in advance on proposals to be submitted to the Board of Directors, to coordinate and exchange information on pending issues among the Company's divisions and group companies, and to deliberate and exchange opinions on specific execution strategies and important execution matters based on the policies decided by the Board of Directors.
5. SIGMAKOKI will establish a Compensation Committee and Nominating Committee as a voluntary advisory committee for the purpose of clarifying the independence, objectivity, and accountability of the Board of Directors' functions. The Compensation Committee and Nominating Committee consists of three (3) or more members appointed from among Directors including independent Outside Directors, Corporate Auditors, and Executive Officers, as well as the Manager of the Administrative Division and the General Manager of the General Affairs Department, with an Outside Director serving as the committee chairperson.

Article 15 Procedures for Nomination, Election, and Dismissal of Candidates for Directors and Corporate Auditors

1. In regard to procedures for nominating, electing, and dismissing candidates for Directors and Corporate Auditors, SIGMAKOKI submits the nominations to the Board of Directors including Outside Directors and attaches the results of examination and deliberations about the adequacy of candidates at the voluntary Nominating Committee taking into consideration the personality, knowledge, insight, and experience of each candidate, and thereby makes the decision by resolution at the meeting of the Board of Directors upon full deliberations. The basic policy of nomination, election, and dismissal, election standards, and election and dismissal procedures for candidates for Directors and Corporate Auditors shall be as specified in Appendix 1 "Policy for Election and Dismissal of Directors and Corporate Auditors."
2. Candidates for Outside Officers with independence shall fulfill the conditions specified in Appendix 2 "Standards for Judging the Independence of Outside Officers."
3. In order to appoint the most appropriate person for the position of the President (CEO) considering that the election, removal, and dismissal of the President (CEO) is the most important strategic decision for the Company's sustainable growth and enhancement of corporate value over

the medium- to long-term and in order to establish objective and transparent procedures for the election, removal, and dismissal of the President (CEO), SIGMAKOKI follows the procedures specified in Appendix 3 “Policy for Election (including the Development Plan), Removal, and Dismissal of the CEO.”

Article 16 Roles and Responsibilities of the Board of Directors

1. The Board of Directors assumes responsibility for the sustainable growth of the Company and the enhancement of corporate value over the medium- to long-term through efficient and effective corporate governance that takes into account its fiduciary responsibility and accountability to the shareholders.
2. In order to fulfill the responsibilities of the preceding paragraph, the Board of Directors shall, in addition to the matters required by law and regulations and the Articles of Incorporation, with respect to the matters to be decided, make the best decisions for the SIGMAKOKI Group including the nomination, evaluation, and determination of compensation of the President (CEO) and other senior management and training of successors and making decisions on important business execution relating to management such as medium- to long-term management and business plans, development and investment plans, and the establishment of and investment in subsidiaries, as well as supervising the execution of duties of Directors and Executive Officers.

Article 17 Composition of the Board of Directors

1. The Board of Directors consists of a diverse range of personnel with different backgrounds in terms of expertise and work experience, regardless of gender, nationality, age, etc., and the Articles of Incorporation set forth the number of Directors at 10 or less so that the Board of Directors is able to effectively fulfill its functions.
2. The Board of Directors shall, in principle, have at least two (2) Outside Directors to ensure the appropriateness of business execution and to enhance the effectiveness of supervision.

Article 18 Operation of the Board of Directors

1. The President and CEO serves as the Chairperson of the Board of Directors in accordance with the provisions of the Articles of Incorporation of the Company.
2. The Chairperson of the Board of Directors will make efforts to operate the Board of Directors effectively and efficiently.
3. Matters concerning the operation of the Board of Directors shall be set forth by laws and regulations, the Articles of Incorporation, and the Rules of the Board of Directors.

Article 19 Evaluation of the Effectiveness of the Board of Directors

1. Each director and each Corporate Auditor conducts a self-evaluation annually regarding the effectiveness, etc., of the Board of Directors during the relevant fiscal year, and reports the results of such analysis and evaluation at the meeting of the Board of Directors.
2. The Board of Directors analyzes and evaluates the effectiveness of the Board of Directors as a whole with reference to the self-evaluation and opinions of each Director and each Corporate Auditor, and discloses a summary of the results of such analysis and evaluation.

Article 20 Roles and Responsibilities of the Board of Corporate Auditors

1. The Board of Corporate Auditors audits the execution of duties by Directors and Executive Officers, determines the contents of proposals to be submitted to the General Meeting of Shareholders concerning the election, dismissal, or non-reappointment of Financial Auditors, exercises authority concerning audit fees for Financial Auditors, and performs other matters required by law and regulations, thereby assuming responsibility for ensuring the integrity of SIGMAKOKI.
2. The Board of Corporate Auditors sets forth the “Auditing Standards for Corporate Auditors” as standards and guidelines for auditing in order to ensure the effectiveness of audits by each Corporate Auditor.
3. The Board of Corporate Auditors will formulate an “Audit Plan” for each fiscal year, share it with the Board of Directors, ensure cooperation with the Financial Auditor and the Internal Audit Department and conduct sufficient and appropriate audits in accordance with the audit plan.
4. The Board of Corporate Auditors establishes a system to enhance the effectiveness of audits through independence and a high level of expertise, and collaborates with Outside Directors and the Internal Audit Department to strengthen information gathering capabilities.

Article 21 Composition of the Board of Corporate Auditors

1. The Board of Corporate Auditors consists of a balance of personnel with diverse backgrounds, including those with sufficient knowledge of finance and accounting, and the Articles of Incorporation set forth the number of members of the Board of Corporate Auditors at no more than four (4) in order to create a system that enhances the effectiveness of auditing through independence, a high level of expertise, and information gathering capabilities.
2. The Board of Corporate Auditors shall have at least half of its members be Outside Corporate Auditors and, in principle, have at least one (1) Outside Corporate Auditor with independence to ensure objectivity and independence and to enhance the effectiveness of supervision.

Article 22 Operation of the Board of Corporate Auditors

1. The Chairperson of the Board of Corporate Auditors is appointed from among the Corporate Auditors by a resolution of the Board of Corporate Auditors.
2. The Chairperson of the Board of Corporate Auditors makes efforts to operate the Board of Corporate Auditors in an effective and efficient manner.

3. Matters concerning the operation of the Board of Corporate Auditors shall be set forth by the Rules of the Board of Corporate Auditors in addition to laws, regulations, and the Articles of Incorporation of the Company.

Article 23 Relationship between the Financial Auditors of the Board of Corporate Auditors and the Internal Audit Department

1. The Board of Corporate Auditors formulates standards regarding independence and expertise, etc., for the appropriate election of candidates for Financial Auditors and standards for the appropriate evaluation of Financial Auditors to ensure sufficient examination and confirmation.
2. The Board of Corporate Auditors ensures cooperation, such as exchanging information as appropriate, with Outside Directors, the Financial Auditors, and the Internal Audit Office and conducts sufficient and appropriate audits.

Article 24 Support System for Officers

SIGMAKOKI will establish the necessary support system, both in terms of personnel and cost, to promptly provide useful information to the officers and information requested by them, in order for each officer to be able to perform up to their abilities and fulfill their role in the corporate governance of SIGMAKOKI.

Article 25 Basic Policy on Training of Directors and Corporate Auditors

1. At the time of appointment of Directors and Corporate Auditors (including Outside Directors and Outside Corporate Auditors; the same shall apply hereinafter), SIGMAKOKI provides them with opportunities to gain an accurate understanding of the roles and legal responsibilities entrusted to them by shareholders, and to gain sufficient knowledge of laws, regulations, and rules and information on the Company's business, finances, and organization, which are necessary to properly fulfill such roles and responsibilities. The Company will also continuously provide and facilitate opportunities to update such knowledge (training) as necessary, and support necessary expenses for external training, etc.
2. SIGMAKOKI shall promote the participation of Directors and Corporate Auditors during their term of office in internal and external training programs conducted by external lecturers, as well as in external seminars (group and online), and shall also encourage Directors and Corporate Auditors to give lectures on important matters to other Directors and Corporate Auditors on a rotating basis, and thereby deepen their understanding and acquisition.

Article 26 Procedures for Determining Directors' Compensation, etc.

SIGMAKOKI has established a policy for determining the compensation of Directors in accordance with the provisions of Article 384-2, paragraph 1 of the revised Companies Act, effective as of March 1, 2021. A proposal is drafted by the voluntary Compensation Committee

within the total amount approved at the General Meeting of Shareholders, in accordance with the established standard compensation amount, taking into consideration each person's position, responsibilities and duties in charge, performance in each fiscal year and the level of contribution to that performance and is submitted to the Board of Directors including Outside Directors, and the Board of Directors determines by its resolution after thorough deliberation. The procedures for determining the compensation of Directors and Corporate Auditors are as specified in Appendix 4 “Determination of the Policy for Determining the Details of Compensation, etc., for Each Individual Director.”

Chapter VI Dialogue with Shareholders

Article 27 Basic Policy on Dialogue with Shareholders

1. SIGMAKOKI recognizes the importance of a relationship of mutual trust with shareholders in order to achieve sustainable growth and the enhancement of corporate value over the medium- to long-term, and will engage in constructive dialogue with shareholders. By doing so, we will work to obtain shareholders' understanding of the Company's management basic principles, business strategies, corporate management, etc., as well as to conduct appropriate actions taking into consideration shareholders' positions.
2. The Administrative Division Manager is responsible for dialogue with shareholders, and the Administrative Division will play a central role in achieving constructive and meaningful dialogue under the head's supervision.
3. The Planning Department serves as the department in charge of IR and will establish a cooperative system with the departments in charge of corporate planning, accounting, legal affairs, and general affairs to ensure appropriate dialogue with shareholders.
4. In order to enhance dialogue with shareholders, the Company will regularly send out a newsletter to shareholders, in addition to financial results briefings and individual meetings by the management team. In addition, in order to disseminate information widely and fairly, various information will be provided through the SIGMAKOKI website.
5. Under the supervision of the Administrative Division Manager, the department in charge of IR will, after fully understanding the shareholder structure, conduct dialogue in cooperation with the management team and the departments assisting the dialogue, and report the results to the Board of Directors as appropriate.
6. In holding dialogue with shareholders, in accordance with the Company's IR Policy, the Company ensures that there are no information gaps among shareholders, and pays sufficient attention so as not to disclose any insider information.
7. SIGMAKOKI will set forth internal rules for the management of insider trading as internal rules regarding important information, appropriately manage insider information, and make efforts to raise the awareness of Officers and employees about insider trading.

Chapter VII Miscellaneous Provisions

Article 27 Establishment, Revision, or Abolition of the Basic Policy

1. This Basic Policy shall be established, revised, or abolished by a resolution of the Board of Directors;
provided, however, that formal changes due to organizational or position name changes, etc., shall be made by a decision of the Administration Division Manager.
2. In the event of revision or abolishment of the Basic Policy, the details of such revision or abolishment shall be disclosed in a timely and appropriate manner.

Supplementary Provisions

Edition	Date of Establishment/Revision
First	Established on July 1, 2022
2nd	Revised on July 11 ,2024
3rd	
4th	
5th	

Edition	Date of Establishment/Revision
6th	
7th	
8th	
9th	
10th	