

# Corporate Governance

## Corporate Governance Initiatives

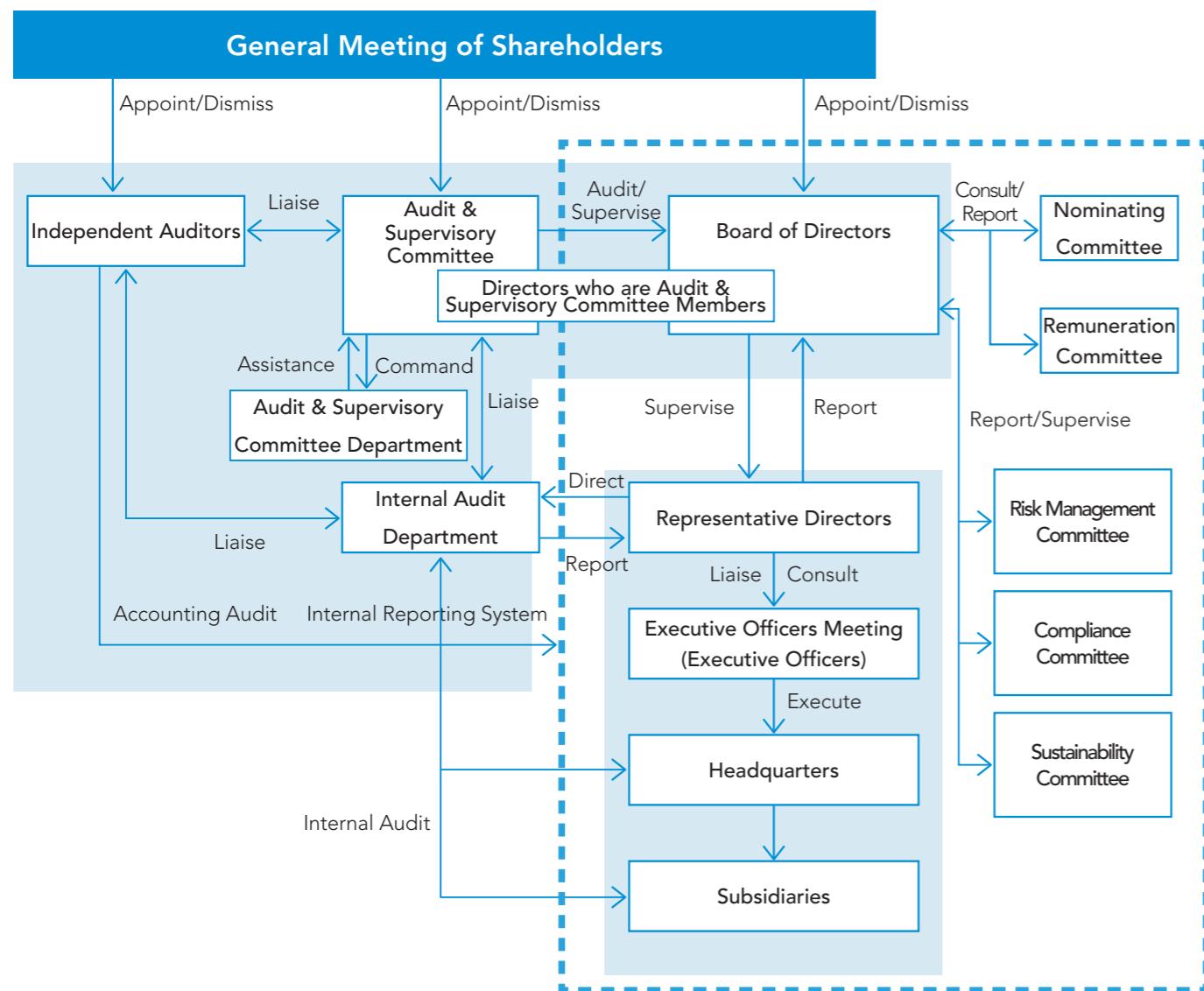
We believe that our significance lies in the realization of our Management Principle "Contributing to International Society and Continuously Increasing Our Contribution". We have set our purpose of establishing an appropriate corporate governance system to continuously contribute to the interests of its stakeholders through the resolution of social issues, the creation of appropriate profits, and the enhancement of corporate value, and we are working to enhance our corporate governance.

In 2019, with the aim of enhancing the auditing and supervisory functions of the Board of Directors and speeding up decision making by delegating some of the Board of Directors' executive decision-making authority to the directors, we transitioned from having an Audit & Supervisory Board to an Audit & Supervisory Committee. In 2021, the chairpersons of our Audit & Supervisory Committee, Nominating Committee, and Remuneration Committee were replaced with outside directors. We also enhanced the transparency and objectivity of the decision-making process for each committee by making the majority of Nominating Committee and Remuneration Committee members outside directors. Furthermore, in 2024, the composition of the Board of Directors was changed to have a majority of outside directors. We will continue working to build a better corporate governance system.

## Corporate Governance Structure

We have adopted the institutional structure of a Company with Audit & Supervisory Committee, as provided for under the Companies Act.

To clarify the decision-making and supervisory functions and executive functions of management we have also introduced an executive officer system, and established a system in which the Board of Directors and each of its member directors are responsible for decision-making and supervisory functions, while executive officers are responsible for execution of business.



## Board of Directors and Advisory Committees

Important management decisions are made by the Board of Directors, which is composed of 11 directors: five internal directors and six outside directors. The Board of Directors plays a central role in making management decisions and supervising the directors' execution of business, and as required by law, it makes decisions regarding the execution of important business matters and reports on the status of execution of these important matters. Matters decided by the Board of Directors are then executed via the representative directors and executive officers.

We have established the Appointment Criteria for Director Candidates and established the Nominating Committee and the Remuneration Committee as advisory bodies to the Board of Directors. The Nominating Committee deliberates matters related to the appointment of directors, executive officers and associate directors, while the Remuneration Committee deliberates matters such as remuneration for directors, executive officers and associate directors. We are strengthening our corporate governance system by reporting the results of these Committees' deliberations to the Board of Directors, thereby increasing the transparency of the decision-making process regarding the nomination and remuneration of directors and others.

## Composition and Main Roles of Each Organization

Organization	Board of Directors	Audit & Supervisory Committee	Nominating Committee	Remuneration Committee
Composition	Chairperson  11 (Internal:5, Outside:6)	Chairperson  4 (Internal:1, Outside:3)	Chairperson  5 (Internal:2, Outside:3)	Chairperson  5 (Internal:2, Outside:3)
Main roles	<ul style="list-style-type: none"> <li>Making management decisions and supervising the execution of business</li> <li>Electing representative directors and appointing and dismissing executive officers and associate directors</li> <li>Determining the remuneration of directors who are not Audit &amp; Supervisory Committee members</li> <li>Exercising authority on the appointment, dismissal and remuneration of independent auditors</li> <li>Determining important matters related to the execution of business and reporting the status of these matters</li> </ul>	<ul style="list-style-type: none"> <li>Auditing directors' execution of their duties</li> <li>Advising the appointment, remuneration, and other matters regarding directors who are not Audit &amp; Supervisory Committee members</li> <li>Deliberating on matters related to the appointment and dismissal of directors, executive officers and associate directors and reporting the results of these deliberations to the Board of Directors</li> </ul>	<ul style="list-style-type: none"> <li>Deliberating on policies related to decisions on the remuneration, etc. of directors who are not Audit &amp; Supervisory Committee members, executive officers and associate directors, the remuneration, etc. of individuals, and others, and reporting the results of these deliberations to the Board of Directors</li> </ul>	<ul style="list-style-type: none"> <li>Deliberating on matters related to the appointment and dismissal of directors, executive officers and associate directors and reporting the results of these deliberations to the Board of Directors</li> </ul>

## Members of Each Organization

Position	Name	Board of Directors	Audit & Supervisory Committee	Nominating Committee	Remuneration Committee
Representative Director	Hiroo OKOSHI	○ (25/25, 100%)		○ (5/5, 100%)	○ (5/5, 100%)
Representative Director	Tohru TAKAHASHI	○ (25/25, 100%)		○ <sup>*2</sup>	○ <sup>*2</sup>
Representative Director	Hirotaro KATAYAMA	○ (25/25, 100%)			
Member of the Board	Tadahito IYODA	○ (25/25, 100%)			
Outside Member of the Board	Naoki MITARAI	○ (25/25, 100%)		○ (5/5, 100%)	○ (5/5, 100%)
Outside Member of the Board	Akira OKADA	○ <sup>*1</sup> (19/19, 100%)		○ <sup>*1</sup> (4/4, 100%)	○ <sup>*1</sup> (4/4, 100%)
Outside Member of the Board	Seiji SAKATA	○ <sup>*2</sup>		○ <sup>*2</sup>	○ <sup>*2</sup>
Member of the Board (Full-time Audit & Supervisory Committee member)	Katsumi KOBAYASHI	○ <sup>*1</sup> (19/19, 100%)	○ <sup>*1</sup> (11/11, 100%)		
Outside Member of the Board (Audit & Supervisory Committee member)	Takashi ASAI	○ (25/25, 100%)	○ (14/14, 100%)		
Outside Member of the Board (Audit & Supervisory Committee member)	Yoko TOYOSHI	○ (25/25, 100%)	○ (14/14, 100%)		
Outside Member of the Board (Audit & Supervisory Committee member)	Yasuko FUKUYAMA	○ <sup>*1</sup> (19/19, 100%)	○ <sup>*1</sup> (11/11, 100%)		

\*1 The number of meetings is different as the directors and committee members who were elected at the March 2023 General Meeting of Shareholders.

\*2 The numbers and percentage are not shown for directors appointed at the March 2024 General Meeting of Shareholders.

# Corporate Governance

## Composition of the Board of Directors

The Board of Directors is composed of diverse directors from different backgrounds in terms of their expertise and experience, with due consideration given to gender, internationality, etc. As a result, the Board of Directors engages in constructive and lively discussions from a variety of perspectives, including perspectives from outside the Company.

## Skill Matrix for Directors

Name	Corporate Management Experience*	Global Experience	Corporate Planning / Strategy	Internal Control / Governance	Legal Affairs / Risk Management	Finance / Accounting	HR Labor Management / HR Development	Business / Sales	Technology / Quality	Purchasing / Production
Hiroo OKOSHI	○※	○	○	○	○	○	○	○		○
Tohru TAKAHASHI	○※	○		○				○		○
Hirotaro KATAYAMA	○※	○		○	○	○	○	○	○	○
Tadahito IYODA	○※	○	○	○	○	○	○	○		○
Naoki MITARAI	○		○	○	○		○	○		
Akira OKADA	○		○	○				○		
Seiji SAKATA	○			○			○	○	○	
Katsumi KOBAYASHI	○※	○		○	○	○	○			○
Takashi ASAI				○	○	○	○			
Yoko TOYOSHI				○	○	○				
Yasuko FUKUYAMA		○		○	○	○				

(Note) The asterisk (\*) indicates that the person has an experience as President of the Company or its subsidiaries.

## Outside Directors

Mabuchi Motor appoints outside members to its Board of Directors who are professionals from diverse backgrounds and fields, including law, finance and accounting, and (other companies in) the private sector. We select people who bring different perspectives to our company. From them, we expect and value insights that are both high-level and experience-based.

Name	Audit & Supervisory Committee Member	Independent Director	Field	Professional Profile
Naoki MITARAI	–	●	Private sector	Served for many years in corporate management as an executive officer of Hitachi, Ltd. and its group companies. Offers a wealth of experience and insight into global management systems and practices, corporate governance, and human resource management.
Akira OKADA	–	●	Private sector	Serving in corporate management as a director of All Nippon Airways Co., Ltd. and its group company, provides many years of experience in the aviation industry, where insight into changes in the external environment and advanced safety is necessary, and contributes with a wealth of experience in corporate governance combined with a high level of insight.
Seiji SAKATA	–	●	Private sector	Involved in corporate management as a director at Ricoh Company, Ltd., for many years. Provides the Company with appropriate supervision and advise regarding management concerning design, development and technology.
Takashi ASAI	●	●	Law	As a practicing lawyer, offers authoritative expertise and experience related to laws, regulations, and legal and regulatory systems, as well as corporate governance.
Yoko TOYOSHI	●	●	Accounting and Finance	Brings many years of accounting auditing experience at accounting firms, advanced expertise cultivated as a certified public accountant, and extensive experience as an outside officer at other companies.
Yasuko FUKUYAMA	●	●	Law	As a practicing lawyer in Japan and overseas, provides authoritative expertise and experience and a wealth of experience as an outside officer in other companies.

## Training of Directors

The Company provide our directors with opportunities to receive training that is necessary for the fulfillment of their roles and duties.

Our measures to deepen outside directors' understanding of our business and other issues include providing them the information and explanations necessary from the relevant departments. We also give them opportunities to visit our bases outside Japan (including remote tours).

### TOPICS

### Site visit by an Audit & Supervisory Committee Member

After travel restrictions due to the COVID-19 were lifted, I visited our production bases, Vietnam Mabuchi and Da Nang Mabuchi, in October 2023, and was able to experience Mabuchi Motor's manufacturing for the first time since I became an Audit & Supervisory Committee member of the Company.

It was beneficial to see firsthand how our company uses its refined processing technology to manufacture parts that minimize waste of raw materials, and how those parts are then supplied to factories around the world to manufacture standardized products with the same quality around the world.

I especially noticed how highly motivated the employees were.

Regardless of their department, all employees in the manufacturing division understood the cost accounting system and were involved in cost reduction activities.

I believe that we are expected to grow as a global company. I hope that the newly established Mexico Mabuchi and Poland Mabuchi will continue to evolve while incorporating diverse values without being bound by past successes.

We aim to grow to achieve the Management Plan 2030, and I look forward to seeing future changes to our Headquarters' functions.

## Evaluating the Effectiveness of the Board of Directors

We have analyzed and assessed the effectiveness of our Board of Directors with the goal of enhancing corporate governance and our corporate value.

The latest document, "Overview of the Analysis and Evaluation Results of the Effectiveness of the Board of Directors," is posted on [our website \(Corporate Governance\)](#).

## Audit & Supervisory Committee

The Audit & Supervisory Committee is composed of four members, including three outside directors. Outside Director serves as chairperson of the committee. The three outside directors and Audit & Supervisory Committee members are attorneys at law and certified public accountants, each of whom possesses advanced expertise, abundant experience and high-level insight, enabling the committee to carry out well-balanced auditing and supervisory activities. In addition, in order to ensure the effectiveness of audits performed by the Audit & Supervisory Committee, we have selected a full-time committee member and assigned one employee to the Audit & Supervisory Department to assist the Audit & Supervisory Committee in its duties, based on our belief that it is necessary to improve the auditing and supervisory environments, smoothly collect internal information by attending important internal meetings, etc., cooperate closely with the internal auditing departments and monitor the internal control system on a day-to-day basis.

### Audit & Supervisory Committee Activities

The Audit & Supervisory Committee attends important meetings including those of the Board of Directors, views important approval documents, investigates the state of operations and assets of the head office and major subsidiaries. It also coordinates with the Internal Audit Department (our internal auditing department), other internal control departments and accounting auditors, etc., to conduct audits and prepare audit reports on the legality and adequacy of directors' execution of duties, as well as the appropriateness of auditing methods and results of audits performed by accounting auditors, in accordance with formulated audit policies, audit plans and division of duties, etc.

The Audit & Supervisory Committee also examines the appointment and remuneration of directors who are not Audit & Supervisory Committee members, including confirmation of discussions by the Nominating and Remuneration committees. The opinions of the committee are finalized and presented at the General Meeting of Shareholders.

The Audit & Supervisory Committee meets once a month and on an

extraordinary basis as needed. In the fiscal year ended December 31, 2023, the committee met 14 times. The committee examined the state of the execution of duties by directors, etc., the state of development and operation of the internal control system, and the state of compliance, risk management, and other matters. The committee also exchanges opinions with management and accounting auditors and expresses necessary opinions from professional, objective, and multifaceted standpoints.

A full-time Audit & Supervisory Committee member works to enhance the Group's auditing activities by attending important meetings such as Compliance Officers' Meetings, requesting reports from executive divisions as necessary, auditing the state of the execution of duties by directors, etc., by means such as onsite inspections and interviews of directors and key employees of subsidiaries using video conferencing systems, and reporting the results of such audits to the Audit & Supervisory Committee.

# Corporate Governance

## Nominating Committee and Remuneration Committee

In order to ensure the transparency and objectivity of the deliberation process in the appointment of officers and the remuneration system, the Company has voluntarily established a Nominating Committee and a Remuneration Committee, as advisory bodies to the Board of Directors. Both committees are chaired by outside director, and the majority of committee members are outside directors.

The Nominating Committee deliberates regarding the appointment and dismissal of directors, executive officers and associate directors, while the Remuneration Committee deliberates regarding remuneration for directors (who are not Audit & Supervisory Committee members), executive officers and associate directors; with both committees reporting the results of their respective deliberations to the Board of Directors. In this way, we are working to make the decision-making process for nomination and remuneration for directors and other officers more transparent and enhance the corporate governance system.

### Nominating Committee and Remuneration Committee Activities

In the fiscal year ended December 31, 2023, the Nominating Committee and Remuneration Committee met five times each. The Nominating Committee deliberated on the selection of directors, executive officers and associate directors, including next-generation personnel, and also deliberates on performance evaluations of each director, executive officer and associate director, and reflects the results in performance-linked remuneration.

The Remuneration Committee deliberated on important matters such as the formulation of policies and revisions to the system for the remuneration of directors, executive officers and associate directors, and partially reviewed the remuneration system. In both committees, active discussions are taking place among the committee members, including outside directors, and we recognize that transparency and objectivity of their deliberation processes have been ensured.

## Succession Planning

The Nominating Committee deliberates regularly on the development of successor candidates for executives, referring to our Management Principle, management strategy, and other foundational considerations. Potential successors to top leadership positions are assessed on both performance and learning trajectories. The Nominating Committee reports on the development of candidates to the Board of Directors as appropriate, enabling the Board of Directors to supervise the progress.

## Policy on Determining Remuneration for Executives

The Company's Board of Directors, at its meeting held in March 2021, adopted a policy for determining the details of remuneration for individual directors. The policy was reported to the Board of Directors after a thorough discussion by the Remuneration Committee. The Board of Directors has also confirmed that the method of determining the content of remuneration, etc. and the content of remuneration, etc. determined for each individual director for the current fiscal year are consistent with such determination policy and that the report from the Remuneration Committee has been respected, and has determined that the policy is in line with such determination policy.

### Basic Policy on Determining Remuneration for Executives

#### (1) Level of Remuneration

- We will set remuneration levels that will enable us to secure diverse human resources with the experience and skills necessary to realize global business growth.
- In order to ensure the appropriateness of remuneration levels, we will refer to the remuneration survey data of external research organizations and determine appropriate levels of remuneration with consideration for the Company's business performance, economic environment and industry trends, etc.

#### (2) Structure of Remuneration

- Executive remuneration shall consist of base remuneration, which is a fixed remuneration, and performance-linked remuneration, which reflects company performance and individual evaluations.
- Performance-linked remuneration shall be structured in consideration of the short-term reflection on the Company's business performance and the medium- to long-term enhancement of corporate value.
- In order to enhance value sharing with shareholders and to increase incentives to increase corporate value from a medium- to long-term perspective, a portion of remuneration will be stock-based remuneration.
- Remuneration for outside directors and directors who are Audit & Supervisory Committee members shall consist only of base remuneration, from the viewpoint of their roles and ensuring their independence.

#### (3) Governance of Remuneration

- In deciding the policy for determining remuneration for officers and amounts of remuneration, we place importance on ensuring fairness and transparency, and hold an annual Remuneration Committee meeting with the majority of the committee members being outside directors to make decisions at the Board of Directors based on the reports of the Remuneration Committee.
- To ensure objectivity and transparency, the Board of Directors delegates decisions regarding the amount of individual remuneration for each director to the Remuneration Committee.
- Individual evaluations reflected in performance-linked remuneration are decided by a Nominating Committee meeting with at least half of all committee members consisting of outside directors.
- Both the Remuneration Committee and the Nominating Committee are chaired by outside director Mr. Naoki MITARAI, and consist of five people including representative director and chairman Mr. Hiroo OKOSHI, representative director and president Mr. Tohru TAKAHASHI, outside director Mr. Akira OKADA and outside director Mr. Seiji SAKATA.

## Overview: Remuneration System

### (1) Breakdown of Remuneration

Type of Reward	Monthly Remuneration	Bonus	Trust-type Stock Remuneration	Restricted Stock Remuneration
Features	Base remuneration	Short-term incentives	Medium-term incentives	Long-term incentives
Cash/Shares	Monetary remuneration			Stock-based remuneration
Link to Performance	Non-performance-based	Performance-based	Performance-based	Non-performance-based
Payment Schedule	Paid monthly	Paid once a year in March	In principle, once every three fiscal years	Paid once a year and transfer restriction lifted upon retirement
Basic Composition Ratio	50%	30%	20%	
Maximum Amount of Total Remuneration	Annual amount of 550 million yen		Over 3 business years, 600 million yen (up to 150,000 shares)	Annual amount of 60 million yen (up to 50,000 shares)

(Notes)

- The basic composition ratio of remuneration indicates the basic ratio in the system design, and the ratio shown on the left fluctuates depending on the state of the Company's business performance and other factors.
- The total limit of monetary remuneration includes the base remuneration for outside directors (excluding directors who are Audit & Supervisory Committee members).

### (2) Performance-based Remuneration

#### 1. Bonus

As a form of short-term incentive remuneration, we have adopted profit attributable to owners of parent as an evaluation index, with the aim of raising awareness of contributing to the improvement of business performance in each fiscal year. The amount of remuneration is calculated in the range of 0-200% of the fluctuation range, according to the amount of consolidated net income, and the final determination is made reflecting the results of individual evaluations.



### (3) Non-monetary remuneration

Regarding stock-based remuneration, in addition to the trust-type stock remuneration described above, the Company has introduced restricted stock remuneration with the aim of enhancing incentives to improve corporate value from a long-term perspective. Restricted transferable shares calculated based on the stock price on a predetermined date are allocated in accordance with the amount of restricted transferable share remuneration determined for each position. The transfer restriction is lifted at the time of retirement.

### (4) Restrictions on the payment of stock-based remuneration

In the event of dismissal or resignation of a director during the term of office (except in cases deemed justifiable by the Board of Directors), the Remuneration Committee's deliberations and reports shall be taken into account, and the payment of stock-based remuneration shall be restricted by resolution of the Board of Directors.

### (5) Approach to holding Company shares

In principle, the Company's shares granted through stock-based remuneration shall continue to be held for the duration of the director's term of office. By encouraging employees to hold more than a certain amount of the Company's shares through the separately established "Guidelines for Shareholding of the Company's Shares" we are also working to share value with shareholders and raise awareness of the medium to long-term enhancement of corporate value.

## Remuneration Paid

Category	Number of persons remunerated	Remuneration paid	Total amount of remuneration			
			Base remuneration	Performance-based	Non-performance-based	Restricted Stock Remuneration
Directors (excluding Audit & Supervisory Committee members) (Outside Directors)	10 (4)	518 million yen (32 million yen)	252 million yen (32 million yen)	177 million yen (-)	37 million yen (-)	51 million yen (-)
Directors (Audit & Supervisory Committee members) (Outside Directors)	6 (4)	54 million yen (32 million yen)	54 million yen (32 million yen)	- (-)	- (-)	- (-)
Total (Outside Directors)	16 (8)	573 million yen (64 million yen)	307 million yen (64 million yen)	177 million yen (-)	37 million yen (-)	51 million yen (-)

\*The above amounts are total remuneration for fiscal year 2023 and include remuneration for directors who have currently retired.