

Corporate Governance Guidelines

(Established: March 29, 2016)

(Revised: December 1, 2021)

Foster Electric Company Limited

Corporate Governance Guidelines

Chapter I General Rules

(Purpose)

Article 1

These Guidelines set forth the basic approach and framework for corporate governance to achieve sustainable growth medium-to long-term enhancement of corporate value of the Foster Group (the “Group”).

(Management Philosophy)

Article 2

Based on the corporate motto of “Sincerity” and with a customer-oriented philosophy, the Group continuously strives to improve its contribution to society and the level of satisfaction and trust of its stakeholders, and aims to achieve sustainable growth and development by enhancing its competitiveness through corporate social responsibility and consideration for and responsibility to the global environment.

(Basic Policy of Corporate Governance)

Article 3

To maximize corporate value and shareholder value, the Company recognizes the importance of establishing a management structure that enables decision-making that can respond quickly and accurately to changes in the business environment and legitimate and appropriate business execution, and a fair and sound management system.

Chapter II Ensuring the Rights and Equality of Shareholders

(Securing Equal Treatment of Shareholders)

Article 4

The Company respects the rights of shareholders and ensure equal treatment of shareholders. The Company develops an environment in which shareholders can exercise their rights appropriately.

(General Shareholders’ Meetings)

Article 5

1. The Company implements the following measures to give shareholders sufficient

time to consider the proposals of the general shareholders' meetings and to create an environment in which voting rights at general shareholders' meetings can be appropriately exercised:

- i. Appropriate scheduling of the general shareholders' meeting is made considering the need to enhance constructive dialogue with shareholders and to provide accurate information necessary for such dialogue
 - ii. In principle, a notice of convocation of general shareholders' meeting is sent at least three weeks before the meeting date.
 - iii. Disclose the convocation notice for general shareholders' meetings through TDnet or on the Company's website before sending the convocation notice.
 - iv. Make an English translation of the convocation notice for the general shareholders' meeting to enable institutional and overseas shareholders to exercise their voting rights electronically by using the electronic voting platform.
 - v. If institutional investors, etc., who hold shares in the name of trust banks, etc. express an interest in advance of the general shareholders' meeting in exercising their voting rights, etc. on behalf of the trust bank, etc., the Company fully consults with the trust banks, etc. and respond to such requests.
2. When a proposal receives opposing votes that account for 20% or more of all votes at a general shareholders' meeting, the Board of Directors analyzes the reasons for that result and take necessary measures such as shareholder dialogue, etc. with the shareholders.

(Protecting Shareholder Rights)

Article 6

1. To prevent existing shareholders from being unfairly harmed by capital policies that result in a change of control or large-scale dilution, the Company's Board of Directors fully considers the necessity and rationality of such policies, ensure appropriate procedures, and provide sufficient explanation to shareholders.
2. In principle, the Company does not adopt anti-takeover measures.
3. If a tender offer is made on the Company's shares, the Company clearly explains the position of the Board of Directors on the matter based on sufficient deliberation after requesting the tender offeror to explain its corporate value enhancement measures. In addition, the Company does not unreasonably interfere with the rights of shareholders to sell their shares in response to the tender offer.

(Capital Policy)

Article 7

1. To enhance corporate value and shareholder value through sustainable growth, the Company implements capital policies that consider the balance between improving capital efficiency and financial stability.
2. Company's basic policy on profit distribution is to comprehensively enhance the shareholder value, by harmonizing profit distribution in line with business performance with the enhancement of internal reserves from a long-term perspective, while placing the enhancement of corporate value as a management issue.
3. The Company sets forth in its medium-term business plan measures to improve profitability, capital policies, etc. to enhance the Company's corporate value over the medium- to long-term and explains such measures at briefings on financial results and disclose the relevant briefing materials on the Company's website.

(Cross-Shareholdings)

Article 8

1. The Company holds shares of other companies as cross-shareholdings when it is considered that strong and long-term cooperative relationships with business partners, technology exchange partners and regional companies will contribute to the enhancement of the Company's corporate value over the medium- to long-term.
2. The Board of Directors carefully examines the appropriateness of cross-shareholdings and the benefits and risks associated with such holding and sells or disposes the shares that are not worth holding. The Board of Directors examines the appropriateness of the cross-shareholdings by comparing the purpose of holding, transaction status, dividend income and other benefits with the cost of capital, etc.
3. Regarding the exercise of voting rights as to its cross-shareholdings, the Company determines whether to approve or disapprove each proposal from a comprehensive viewpoint, emphasizing the relevant company's stance on enhancing corporate value over the medium- to long-term, its policy for returning profits to shareholders, and its efforts in corporate governance and corporate social responsibility. In particular, regarding proposals to elect directors and corporate auditors, proposals to appropriate retained earnings and other proposals that are important from the perspective of enhancing shareholder value, specific criteria for judgment will be established and voting rights will be exercised pursuant to such criteria.

(Related Party Transactions)

Article 9

The Company determines the terms of transactions between related parties according to the appropriate procedures so as not to harm the common interests of the Company and its shareholders and disclose the results of the related party transactions pursuant to relevant laws and regulations.

Chapter III Relationship with Stakeholders

(Standards of Conduct, Foster Rhythm)

Article 10

1. The Company has established the Foster Group Corporate Action Guideline and the Foster Group Code of Conduct for Staffs to ensure that its directors, officers and employees comply with all laws, regulations, international rules and their spirit and intent, and corporate ethics, both in Japan and abroad and act with social conscience.
2. The Company has established “Foster Rhythm” in order for all the officers and employees of the Group to align their vectors toward the achievement of the same goals and dreams, to clarify the values to be valued in relation to all stakeholders and to serve as a standard of conduct to lead to the best possible results.
3. The Board of Directors of the Company works to ensure that the “Foster Group Corporate Code of Conduct”, the “Foster Group Code of Conduct for Staffs” and “Foster Rhythm” are widely disseminated and observed and the Board of Directors confirms the status of their implementation as appropriate or on a regular basis.

(Relationship with Stakeholders)

Article 11

1. The Company enhances its corporate value while considering the satisfaction of various stakeholders, including customers, business partners, employees, shareholders and investors and local communities for sustainable development.
2. The Company promotes diversity in human resources, including the promotion of women, non-Japanese, and the elderly.
3. The Company has established a system for reporting and consulting on violations of laws and regulations, internal rules, and corporate ethics in the workplace in the “Internal Reporting Handling Regulations”. The Company has established a “Hotline” with the internal auditing department and an external lawyer as the reporting contact

points and a “Helpline” with the human resources department as the consultation contact point, and the Board of Directors monitors enforcement of these systems.

(Sustainability Issues)

Article 12

The Company recognizes that dealing with sustainability issues is an important management issues that not only reduces risk but also leads to profit opportunities, and the Company addresses these issues actively and proactively from the perspective of enhancing corporate value over the medium- to long-term.

(Management of Corporate Pension Funds)

Article 13

1. The Company takes measures to improve human resources and operational practices, such as the recruitment or assignment of qualified persons to increase the investment management expertise of corporate pension funds, thus making sure that corporate pension funds perform their roles as asset owners. In managing assets, the Company establishes basic policies regarding the management of pension assets, including the establishment of asset mix, the selection of investment trustees and their evaluation. In addition, the Company carries out operational initiatives such as establishing asset management committee and going through the process of discussion at the asset management committee regarding the important matters.
2. The Company appropriately manages conflicts of interest which could arise between the Company and members and beneficiaries of corporate pension funds, such as the exercise of voting rights for shares included in assets under management.

Chapter IV Information Disclosure

(Information Disclosure)

Article 14

1. The Company establishes “Disclosure Policy” for fair disclosure of timely and appropriate information and discloses it on the Company’s website.

<Basic Policy of Information Disclosure>

The Company discloses information in a fair and timely manner pursuant to the Companies Act, the Financial Instruments and Exchange Act, and the “Timely Disclosure Rules” of the Tokyo Stock Exchange. In addition to information in accordance with the above-mentioned laws and regulations, the Company discloses

other information that the Company believes to be useful in understanding the Company as proactively and fairly as possible.

2. The Company seeks to disclose and provide information in English bearing in mind the ratio of overseas investors among its shareholders.
3. The Company appropriately discloses its initiatives on sustainability.
4. The Company presents its policies and voluntary and measurable goals for ensuring diversity in the promotion to core human resources, such as the promotion of women, foreign nationals and midcareer hires to middle managerial positions and disclose the status of such efforts. In addition, in light of the importance of human resource strategies for increasing corporate value over the mid-to long-term, the Company presents its policies for human resource development and internal environment development to ensure diversity, as well as the status of their implementation.
5. the Company discloses information on investments, etc. in human capital and intellectual properties in an understandable and specific manner, while being conscious of the consistency with its own management strategies and issues.

Chapter V Corporate Governance Structure

(Form of Organizational Structure)

Article 15

The Company is a company with a Board of Corporate Auditors as its organizational structure under the Companies Act, and establishes the “Nomination Advisory Committee” and the “Compensation Advisory Committee” on a voluntary basis. In addition, the majority of the members of each committee are independent outside officers, and the Company seeks appropriate involvement and advice from the committees, including from the perspective of gender and other diversity and skills in examining such important matters as nominations and remuneration.

(Roles and Responsibilities of the Board of Directors)

Article 16

1. The Board of Directors bears in mind their fiduciary responsibilities to shareholders and seek to achieve sustainable growth and enhance corporate value.
2. The Board of Directors has the supervisory function for business execution, and decides matters stipulated by laws and the articles of incorporations and important matters of the Group. For matters other than those listed above, decision-making authority is delegated to the managing directors’ meeting or the person in charge of

the business operation organization including the President in accordance with internal regulations.

3. The Board of Directors ensures sufficient time for deliberations and engages in constructive discussion with respect to specific business strategies and business plans, etc. and provides strategic direction.
4. The Board of Directors establishes internal control and enterprise risk management systems for the entire Group and appropriately oversees the operation of the system while utilizing the internal audit department.
5. The Board of Directors proactively involved in formulating and implementing a succession plan for the president, etc. based on the Company business principles and specific business strategies and business plan, etc. and appropriately oversees the systematic development of potential successors.
6. The Board of Directors establishes a basic policy regarding initiatives on sustainability in terms of enhancing corporate value over the medium-to long-term.
7. In light of the importance of investments in human capital and intellectual properties, the Board of Directors effectively supervises the allocation of management resources, including such investments and the implementation of business portfolio strategies to ensure that they contribute to the sustainable growth of the Company.

(Evaluation of the Effectiveness of the Board of Directors)

Article 17

Each year the Board of Directors analyzes and evaluates its effectiveness as a whole, considering relevant matters, including the self-evaluations of each director, and discloses a summary of the results.

(Roles and Responsibilities of the Corporate Auditors and the Board of Corporate Auditors)

Article 18

1. The corporate auditors and board of corporate auditors bear in mind their fiduciary responsibilities to shareholders and make decisions from an independent and objective standpoint for the Company's sustainable growth and enhancement of corporate value over the mid-to long-term.
2. The board of corporate auditors establishes a system to enhance the effectiveness of audits.
3. The corporate auditors and board of corporate auditors secures cooperation with outside directors so that such directors can strengthen their capacity to collect

information without having their independence jeopardized.

4. The board of corporate auditors, in accordance with laws and regulations and the articles of incorporation, establishes the “Regulations of the Board of Corporate Auditors” regarding matters related to the board of corporate auditors, the “Auditing Standards for Corporate Auditors” and the “Implementation Standards for Auditing Internal Control Systems” regarding the nature of the auditing system and the standards and guidelines for auditing actions, and fulfills its roles and responsibilities.

(Independent Directors)

Article 19

1. The independent directors contribute to the appropriateness of the decision-making process of the Board of Directors by providing advice based on their knowledge, thereby increasing corporate value over the mid- to long-term.
2. The Company appoints at least one-third of their directors as independent directors.
3. The independent directors monitor management and conflicts of interest by decisions from an independent and objective standpoint.
4. The independent directors appropriately represent the views of stakeholders.

(Meeting of Independent Officers)

Article 20

1. The independent officers hold a meeting (hereinafter collectively referred to as the “Meeting”) at least once a year at which only the independent officers are members.
2. At the Meeting, each member endeavors to exchange information and develop a shared awareness among themselves concerning cooperate governance and operation of the Board of Directors, etc. from an independent and objective standpoint.

(Internal Control)

Article 21

The Board of Directors establishes a basic policy for the development of internal control system and supervises the effectiveness of the development and operation of such systems.

(Accounting Auditors)

Article 22

1. The Board of Corporate Auditors establishes the selection standards and evaluation standards for the accounting auditor, requests explanations from the accounting auditor as to whether it complies with the necessary quality control standards, and verifies independence and expertise of the accounting auditor.

2. The Board of Directors and the Board of Corporate Auditors take the following actions to ensure that the accounting auditor conducts an appropriate audit:
 - i. Secure adequate time to ensure high quality audits;
 - ii. Ensure interviews, etc. from accounting auditors to senior management
 - iii. Ensure adequate coordination between the accounting auditor and each of the corporate auditors (including attendance at the Board of Corporate Auditors' meetings), the internal audit department and outside directors; and
 - iv. Ensure that the Company is constituted in the way that it can adequately respond to any misconduct, inadequacies or concerns identified by the accounting auditor.

(Standards and Procedures for the Appointment and Dismissal of the President and Directors)

Article 23

1. The Company separately establishes the procedures and standards for the appointment and dismissal of the president and directors in the "Rules of the Nomination Advisory Committee and the Compensation Advisory Committee" and discloses the details.
2. The Board of Directors as a whole maintains balance and diversity in knowledge, experience and skills.
3. The Board of Directors identifies skills, etc. that it should have in light of its managing philosophy and specific managing strategies and plans and discloses a skills matrix that lists knowledge, experience, and skills that each director possesses, together with the policies and procedures for nominating directors.
4. The "Nomination Advisory Committee" considers and deliberates the nomination of candidates for internal directors based on the standards set forth in paragraph 1 of this Article, considering factors such as experience cultivated as a department head and overseas experience and determines a draft of candidates. The Board of Directors deliberates about the results and submits them as a proposal for resolution at the general shareholders' meetings.
5. The "Nomination Advisory Committee" reviews and deliberates the appointment and dismissal of the president based on the standards set forth in paragraph 1 of this Article and approves the draft. The Board of Directors deliberates about the results and submits them as a proposal for resolution at the general shareholders' meetings.
6. The "Nomination Advisory Committee" reviews and deliberates the nomination of candidates for outside directors based on the standards set forth in paragraph 1 of this Article and approves the draft of candidates. The Board of Directors deliberates

about the results and submits them as a proposal for resolution at the general shareholders' meetings.

7. Regarding the explanations for the election, nomination and dismissal of directors, the reasons for individual appointment and dismissal are described in the notice of convocation of the general shareholders' meeting.

(Standards and Procedures for the Appointment and Dismissal of the Corporate Auditor)
Article 24

1. The Company establishes the standards for the appointment and dismissal of the corporate auditors in the "Rules of the Nomination Advisory Committee and the Compensation Advisory Committee" and discloses the details of the standards.
2. The "Nomination Advisory Committee" reviews and deliberates the nomination of candidates for corporate auditors based on the standards set forth in the preceding paragraph and approves the draft of candidates. The Board of Directors deliberates about the results and submits them as a proposal for the resolution at the general shareholders' meetings. The Board of Directors obtains the consent of the board of corporate auditors before adopting a resolution as an agenda item to be submitted to the general shareholders' meeting.
3. Regarding the explanations for the election, nomination, and dismissal of corporate auditors, the reasons for individual appointment and dismissal are described in the notice of convocation of the general shareholders' meeting.

(Standards and Qualifications for Determining Independence of Outside Directors and Outside Corporate Auditors)
Article 25

1. The Board of Directors determines the independence of independent outside directors based on both the requirements for outside directors of the Companies Act and the independence standards of the Tokyo Stock Exchange.
2. The Board of Directors emphasizes, as qualifications for outside directors and outside corporate auditors, a high level of expertise and abundant experience that enables them to provide constructive advice to enhance corporate value of the Company.

(Directors and Corporate Auditors Holding Concurrent Posts at Other Listed Companies)
Article 26

1. When appointing outside directors and outside corporate auditors, the Company confirms in advance that their concurrent positions at other listed companies does not

hinder them from fulfilling their roles and responsibilities as outside directors and outside corporate auditors of the Company.

2. The Company discloses the concurrent status of directors and corporate auditors of other listed companies in the notice of the general shareholders' meeting.

(Remuneration for Directors and Corporate Auditors)

Article 27

1. The Remuneration Advisory Committee, to which the authority to determine the amount of remuneration for each director has been delegated by the Board of Directors, examines and deliberates on the amount of remuneration for each director within the scope of the total amount of remuneration determined at the general shareholders' meeting, considering the nature of the director's duties and achievements, the Company's business performance, and other factors, and determines a draft proposal. The Board of Directors deliberates on the results and decides.
2. For director incentives, a performance-linked remuneration component is established.
3. The remuneration for outside directors and auditors are paid in a fixed amount.
4. The "Remuneration Advisory Committee" determines the amount of remuneration for outside directors as is the case with other directors, and the Board of Auditors determines the amount of remuneration for auditors within the total amount of remuneration decided at the general shareholders' meeting.

(Training for Directors and Corporate Auditors)

Article 28

1. The Company's president and legal department give lectures to newly appointed directors within the Company on their roles and responsibilities as directors when they assume office. In addition to newly appointed directors, the Company provides new corporate auditors with opportunities to participate in seminars for new outside directors and corporate auditors.
2. To deepen the understanding of the Company's group, the Company provides explanations of business and operations from each department within the Company to outside directors and outside corporate auditors when they assume office.
3. As part of its ongoing training, the Company invites outside experts and holds seminars with the participation of directors, corporate auditors and executive officers as appropriate to improve their management and risk management skills.

(Information Acquisition and Support System)

Article 29

1. For directors and corporate auditors to effectively fulfill their roles and responsibilities, they proactively seek to obtain information, and departments that are requested to provide information promptly provide information and materials based on the request.
2. Company has established a support system by appointing a director secretariat and assistants to auditors so that the Board of Directors and each auditor can manage their duties smoothly and appropriately.
3. When deemed necessary by directors and auditors, advice may be obtained from outside experts such as attorneys and certified public accountants at the expense of the Company.
4. The Company establishes a system whereby the Internal Audit Department appropriately reports directly to the Board of Directors and the Board of Corporate Auditors to ensure cooperation between the Internal Auditing Department and the directors and the corporate auditors.

Chapter V I Dialogue with Shareholders

(Policy for Constructive Dialogue with Shareholders)

1. The Company engages in constructive dialogue with shareholders and investors and utilizes their useful opinions in management to contribute to sustainable growth and enhancement of corporate value.
 - i. Dialogue with Shareholders

IR activities are conducted mainly by the IR department with the president as the top executive. Work is done to achieve constructive dialogue through the IR activities described below, including financial results briefings by the president and other officers in charge. In addition, outside directors and corporate auditors participate in dialogues with shareholders as necessary.
 - ii. Collaboration to promote dialogue

As regards dialogue with shareholders in general, IR, accounting, and other related departments share necessary information on business and financial conditions and collaborate in a coordinated manner to realize constructive dialogue with shareholders.
 - iii. Details of IR activities

Conduct financial results briefings for analysts and institutional investors, respond to quarterly interviews, hold roundtable meetings for shareholders after the annual general shareholders' meeting, publish business reports, and disseminate information on the Company's website.

iv. Feedback to the Company

Provide feedback on the content of dialogue with shareholders and investors at management meetings, etc.

v. Management of insider information

The Company establishes and manage the “Regulations for Internal Information Management and Insider Trading Prevention”. In addition, the Company has established a “Disclosure Policy”, which is disclosed in the Company website.

2. The Company makes efforts to understand its own shareholder structure as necessary.

End

Supplementary provisions

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