

Disclaimer: This document is an English translation of the original Japanese document and has been prepared for reference purposes only. In the event of any discrepancy between the English translation and the original Japanese document, the latter shall prevail.

Corporate Governance Report

CORPORATE GOVERNANCE

KATO WORKS CO., LTD.

Last Update: June 29, 2026

KATO WORKS CO., LTD.

Kimiyasu Kato, President and Representative Director

Contact: General Affairs Department

Securities code: 6390

<https://www.kato-works.co.jp/eng/index.html>

The corporate governance of KATO WORKS CO., LTD. (the “Company”) is described below.

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

1. Basic Views

Recognizing that a company must not only pursue profit as an economic entity but also be a valuable presence within society, the Company is committed to conducting its business faithfully in accordance with the law and contributing to societal progress and development through its work. The Company will endeavor to enhance its corporate governance framework and ensure sound management, in order to earn even greater trust from all of its stakeholders, including shareholders, users, business partners, local communities, government entities, and employees.

(1) Shareholders and other stakeholders

The Company respects the rights of all shareholders, including minority shareholders, and ensures equitable treatment among them. It strives to build strong relationships and collaborate appropriately with its employees, customers, business partners, local communities, and other stakeholders.

(2) Information disclosure and dialogue with investors

The Company discloses corporate information appropriately to ensure transparency, engaging in constructive dialogue with shareholders and investors who adopt medium- to long-term holding strategies.

(3) Corporate governance system

The Company has adopted the structure of a company with an Audit and Supervisory Committee. Its Board of Directors comprises Directors well-versed in its operations, providing decision-making functions, along with independent Outside Directors who ensure fair and highly transparent oversight. The Audit and Supervisory Committee maintains strong independence through a majority of outside members and benefits from the advanced information-gathering capabilities of its full-time members.

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

[2.4.1] Ensuring diversity in promoting core human resources, etc.

The Company believes that a diverse workforce with varied values and experiences is essential for achieving sustainable growth. Accordingly, it conducts recruitment activities without regard to gender, nationality, race, ethnicity, religion, social status, disability, or sexual orientation. In terms of hiring categories, the Company has consistently promoted mid-career hires based on a comprehensive assessment of their skills and experience. As of March 2026, approximately 31% of the Company’s management positions were held by mid-career hires.

However, the percentage of women in managerial positions and among candidates for such roles remains relatively low. This is attributable to both the characteristics of the construction machinery industry and the fact that, in the past, women were assigned to a narrower range of duties than they are today. The Company is currently working to increase the number of female employees who will take on key positions in the future by hiring new graduates into the design department and other technical and skilled roles where women have historically had limited opportunities, and by promoting initiatives to expand the workforce and reduce turnover by improving the work environment and enhancing maternity and childcare support systems.

In its April 2026 new graduate recruitment drive, the Company hired five women (approximately 15% of all new hires). It leverages its Group’s ability to offer work opportunities at both domestic and international locations in recruiting foreign

nationals. In FY2025, the Company hired two foreign engineers. In addition, it provides up to one year of training for new employees, regardless of gender or nationality, to help them build long-term careers within the Company.

The Company recognizes that securing talent is a critical management issue for sustainable business operations. With the support of Outside Directors who have extensive experience and a proven track record in promoting women's participation, it will continue to implement improvement measures to achieve its numerical targets.

<Metrics and Targets>

As previously mentioned, the nature of the Company's industry and operations led to a prolonged period during which its hiring practices were heavily male-oriented, resulting in the current low percentage of female managers. As a result, gender-based wage disparities have also emerged. Going forward, the Company will intensify its efforts to recruit more women, both as new graduates and mid-career hires, and focus on improving their work environment.

Regarding the rate of male employees taking childcare leave, although the number of employees taking such leave has increased along with greater social understanding of the system, we will continue to thoroughly disseminate information about the system both internally and externally, aiming to further improve the uptake rate. As part of its unique initiatives to help employees balance work and childcare, it has established a childcare leave system in addition to paid leave. This system provides up to 25 days of leave per child for employees raising children up to the end of elementary school, which can be used to attend school events such as entrance and graduation ceremonies, and sports days, as well as for childcare and nursing care. The Company will continue to promote various initiatives to maintain and enhance an environment where all employees, regardless of gender, can successfully balance work and childcare.

The Company's policies and initiatives regarding human resource development are available on its sustainability website (Japanese only).

[Targets and actual results for key metrics]

- The proportion of female workers among workers in managerial positions: Target of 3% by FY2030 (actual as of March 31, 2026: 1.5%)
- Percentage of male employees taking childcare leave: Target of 35% by FY2030 (actual for FY2025: 64%)
- Differences in wages between male and female workers: Target of 75% by FY2030 (actual for FY2025: 71.4%)

Disclosure Based on each Principle of the Corporate Governance Code Update

[1.4] Cross-Shareholdings

As a general rule, the Company's basic policy is to reduce cross-shareholdings, except in cases where such holdings are deemed necessary for the creation of business opportunities or the development, maintenance, or strengthening of business or collaborative relationships. For listed shares held by the Company, the Board of Directors annually evaluates their economic rationale and future prospects, and makes decisions on whether to retain them based on factors such as their strategic necessity. The Company has been reducing its cross-shareholdings based on the above policy. At the Board of Directors meeting held on December 6, 2024, it was confirmed that all shares, except those currently deemed highly necessary, have been sold. In addition, voting rights related to cross-shareholdings are exercised after reviewing each agenda item to determine whether it will contribute to enhancing the medium- to long-term corporate value of both the Company and the issuing company.

[1.7] Related Party Transactions

The Board of Directors' approval is required in case of any competitive or conflict-of-interest transactions between the Company and its Directors or other related parties to ensure that such transactions do not harm the common interests of the Company and its shareholders.

When conducting transactions with major shareholders, etc., the terms and conditions, as well as the methods used to determine them, are set to be equivalent to those applied to other business partners in order to protect the interests of minority shareholders and other stakeholders.

[2.6] Roles of Corporate Pension Funds as Asset Owners

The Company assigns appropriately qualified personnel to the department responsible for corporate pensions, which regularly monitors the performance of pension asset management and maintains regular communication with asset managers. To maintain an appropriate management environment, the Company also promotes human resource development by encouraging participation in various training programs.

[3.1] Full Disclosure

(i) Company objectives (e.g., management philosophy), business strategies, and business plans

In March 2025, the Group announced a three-year medium-term management plan beginning with the fiscal year ending March 31, 2026. Under the theme "Leap Forward; Into The Next Era," the plan outlines four basic strategies of (1) Enhancement of corporate value; (2) Strategy for growth with effective investment; (3) Further improvement of profitability; and (4) Implementation of sustainability management. The three-year plan period is positioned as a preparation phase for further progress.

(ii) Basic views on corporate governance

Basic views on corporate governance are described in 1. "Basic Views."

(iii) Board policies and procedures in determining the remuneration of directors

The basic compensation for Directors is paid as a fixed monthly amount, determined comprehensively based on the Director's position, responsibilities, years of service, and the overall level of employee salaries. The specific amount of compensation for

each Director is determined by the President and Representative Director, based on authority delegated by the Board of Directors. The scope of authority covers the evaluation of each Director's performance in their assigned areas of business operations and delegated duties, and the determination of the amount of basic compensation based on such evaluation. To ensure that this authority is exercised appropriately by the President and Representative Director, the Board of Directors consults with the Nomination and Compensation Committee and receives its report. The President and Representative Director, who is delegated the authority described above, must make decisions in accordance with the content of that report.

(iv) Board policies and procedures in the appointment/dismissal of directors

To enhance fairness, transparency, and objectivity in the nomination of Director candidates, the Company has established a voluntary Nomination and Compensation Committee composed of a majority of independent Outside Directors. The Committee discusses proposals for Director candidates based on the Company's selection criteria, submits its recommendations to the Board of Directors, and the Board finalizes the candidates to be submitted to the general meeting of shareholders.

The Nomination and Compensation Committee deliberates on whether the dismissal of Directors is appropriate. Based on the outcome of that deliberation, the Board of Directors then passes a resolution.

(v) Explanations with respect to the individual appointments

Each Director candidate's career summary and excellent skills, as well as the reason for nomination, are described in the notice of the general meeting of shareholders.

[3.1.3] Disclosure of Initiatives on Sustainability

Our company positions sustainability management as one of its key priorities and has established a "Sustainability Committee" along with its suborganizations, the "Environmental Subcommittee" and "Human Resources Subcommittee," to promote initiatives addressing environmental and social issues. In May 2024, based on our corporate philosophy and sustainability basic policy, we identified five materialities. Additionally, we have set up three-year KPIs starting from fiscal 2025 and are conducting continuous monitoring. For the fiscal 2025 KPI results, please refer to our sustainability website. Going forward, we will steadily promote various measures to achieve our KPIs and aim for sustainable growth and enhancement of corporate value.

Regarding information disclosures based on the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures), we disclose four items "Governance," "Strategy," "Risk Management," and "Metrics and Targets" in our securities report. With respect to "Metrics and Targets," we have completed the calculation of Scope 1, 2, and 3 emissions at our domestic sites. We are also progressing with the calculation of Scope 1, 2, and 3 emissions at our overseas sites, and calculations have been completed except for some categories of Scope 3. Going forward, we will proceed with calculations for uncalculated categories while promoting greenhouse gas emission reduction measures across the entire Group and enhancing information disclosure.

[4.1.1] Scope of the Matters Delegated to the Management

The Company has established the Rules of the Board of Directors, which designate not only matters required by law and the Articles of Incorporation, but also other important management issues, as matters for resolution by the Board of Directors. In June 2016, the Company transitioned from a company with corporate auditors to one with an Audit and Supervisory Committee and amended its Articles of Incorporation to allow executive Directors to be delegated all or part of important business execution. Details of each Director's delegated duties and responsibilities are available on the Company's website.

[4.9] Independence Criteria and Qualification for Independent Outside Directors

The Company has established and disclosed independence criteria that meet the requirements of the Companies Act and the Tokyo Stock Exchange and appoints individuals who meet these criteria as independent Outside Directors.

[4.10.1] Establishment of the Nomination Committee and the Compensation Committee

The Company has established a voluntary Nomination and Compensation Committee, which deliberates on matters such as nomination, remuneration, and succession plans, and makes recommendations to the Board of Directors that consulted those matters. The Committee has set forth that the majority of its members shall consist of outside directors in its regulations in order to enhance the fairness, transparency and objectivity. The voluntary Nomination and Compensation Committee has been established under the Board of Directors so as to develop a system that enables the Board of Directors to appropriately obtain advice on those matters from independent Outside Directors.

[4.11.1] View on the Appropriate Balance of the Board of Directors as a Whole, Diversity, and Board Size

The Nomination and Compensation Committee, which consists of a majority of independent Outside Directors, recommends candidates to the Board of Directors who, in the Company's view, possess superior character and insight, along with deep expertise in their respective fields and experience in corporate management. In addition, it has developed a skills matrix highlighting the areas where each Director is expected to play an especially active role, based on their knowledge, experience, and capabilities.

[4.11.2] Status of Concurrent Service of Directors and Audit and Supervisory Committee Members

Significant concurrent positions of Directors are described in the notice of the general meeting of shareholders, and are also posted on the Company's website.

[4.11.3] Evaluation of the Effectiveness of the Board of Directors

The Company conducts a "Questionnaire on the Effectiveness of the Board of Directors" targeting all directors every fiscal year. In March 2026, we conducted this questionnaire, and because of tabulating and analyzing the responses, we confirmed that the effectiveness of our Board of Directors received a generally favorable evaluation.

Regarding the sharing of internal directors' perspectives and awareness of issues with outside directors, which was raised as a matter to be addressed in the questionnaire conducted in the previous fiscal year, we have taken measures such as sharing the minutes of executive management meetings with outside directors and expanding the materials provided to them. Furthermore, with respect to securing time for preliminary review of Board of Directors materials, which has been an ongoing issue, the

secretariat continues to work on early distribution of materials to each director.

[4.14.2] Training Policy for Directors and Audit and Supervisory Committee Members

To help Directors fulfill their roles and responsibilities, the Company plans targeted training programs based on the required qualities and knowledge. It also enhances the overall effectiveness of the Board of Directors by offering or arranging training opportunities required by individual Directors and covering the associated costs.

[5.1] Policy for Constructive Dialogue with Shareholders

The Company established the Corporate Communications Department in June 2023 in order to strengthen the IR system aimed at further increasing its corporate value. The Corporate Communications Department is working to strengthen its relationship with investors and analysts, as well as to enhance disclosure information. In addition, opinions and questions received are shared with the management as necessary.

[5.2] Action to Implement Management that is Conscious of Cost of Capital and Stock Price

In our three-year Mid-Term Management Plan starting from the fiscal year ending March 2026, we have established improvement measures and targets with return on invested capital (ROIC) and return on equity (ROE) as key management indicators.

For details and progress of this Mid-Term Management Plan, please refer to our website below.

[Mid-Term Management Plan: Japanese]

https://www.kato-works.co.jp/ir/html/1_01plan.html

[Mid-Term Management Plan: English]

https://www.kato-works.co.jp/eng/ir/html/01_02management.html

[Financial Information: Japanese]

https://www.kato-works.co.jp/ir/html/2_01summary.html

[Financial Information: English]

https://www.kato-works.co.jp/eng/ir/html/01_ir-library.html

Action to Implement Management That Is Conscious of Cost of Capital and Stock Price

Content of Disclosure Update	Disclosure of Initiatives (Update)
Availability of English Disclosure Update	Available
Date of Disclosure Update Update	March 14, 2026

Explanation of Actions **Update**

The Company announced a three-year medium-term management plan beginning with the fiscal year ending March 31, 2026 in March 2025. The plan sets return on invested capital (ROIC) and return on equity (ROE) as new management indicators, and describes improvement measures and targets.

For details of the medium-term management plan, please visit the Company's website given below:

[in Japanese] https://www.kato-works.co.jp/ir/html/1_01plan.html

[in English] https://www.kato-works.co.jp/eng/ir/html/01_02management.html

2. Capital Structure

Foreign Shareholding Ratio	10% or more but less than 20%
----------------------------	-------------------------------

Status of Major Shareholders **Update**

Name or Company Name	Number of Shares Owned	Percentage (%)
Resona Bank, Limited	573,297	4.95
The Dai-Ichi Life Insurance Company, Limited	489,441	4.23
Custody Bank of Japan, Ltd. (Trust Account)	391,700	3.38
Kimiyasu Kato	362,749	3.13
KATO WORKS Employee Shareholding Association	275,727	2.38
Nippon Life Insurance Company	228,125	1.97
BNY GCM CLIENT ACCOUNT JPRD AC ISG(FE-AC)	186,469	1.61

Sumitomo Life Insurance Company	186,400	1.61
JPMSPLC CLIENT ASSETS CL JPY	160,041	1.38
MORGAN STANLEY & CO. LLC	149,673	1.29

Name of Controlling Shareholder, if applicable (excluding Parent Companies)	—
Name of Parent Company, if applicable	Not applicable.

Supplementary Explanation

391,500 shares of the Company 's stock held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets of the ESOP (Employee Stock Ownership Plan) Trust are not included in treasury stock.

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Prime Market of the Tokyo Stock Exchange
Fiscal Year-End	March
Business Sector	Machinery
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	500 or more but fewer than 1,000
Net Sales (Consolidated) for the Previous Fiscal Year	¥10 billion or more but less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Fewer than 10

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

1. Organizational Composition and Operation

Corporate Governance System	Company with Audit and Supervisory Committee
-----------------------------	--

Directors

Number of Directors Stipulated in Articles of Incorporation	12
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors Update	8
Election of Outside Directors	Elected
Number of Outside Directors Update	3
Number of Independent Directors Update	3

Outside Directors' Relationship with the Company (1) **Update**

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Chie Kuniyama	Other											
Shinichiro Zama	Other											
Yuka Kimoto	Lawyer											

*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/company 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) **Update**

Name	Membership of Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Chie Kunihara		○	—	<p>Ms. Chie Kunihara has served in a range of key positions in organizations related to education and social welfare, as well as having been engaged in the management of corporations, and has a wealth of experience and proven track record in promoting women's participation and advancement in workplace, a long-standing challenge for the Company and the industry as a whole. Securing human resources is among the important issues facing the Company as it strives to promote sustainable management, for which the Company needs to advance its working style reform efforts including further improvement of workplace environments. The Company expects her to actively provide suggestions and advice on the above issues, and believes that, with her rich insights, she may appropriately fulfill her duties as the Company's Outside Director. Therefore, the Company elected her as a Director (Outside Director).</p>
Shinichiro Zama	○	○	—	<p>In addition to experience in financial sections, Mr. Shinichiro Zama has a broad knowledge of management, having engaged in school management as a trustee of Tamagawa University & Academy. He has provided appropriate supervision and advice on the business execution of the Company's management from an outside perspective. Therefore, the Company re-elected him as a Director (Outside Director) serving as an Audit and Supervisory Committee Member.</p>
Yuka Kimoto	○	○	—	<p>Ms. Yuka Kimoto possesses advanced knowledge as an attorney in the fields of general corporate law and gender. She is expected to contribute to enhancing the Company's audit system by providing appropriate supervision and advice on the business execution of the Company's management from an outside perspective. Therefore, the Company elected her as a Director (Outside Director) serving as an Audit and Supervisory Committee Member.</p>

Audit and Supervisory Committee

Composition of Audit and Supervisory Committee and Attributes of the Chairperson **Update**

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Committee Chair
Audit and Supervisory Committee	3	1	1	2	Inside Director

Appointment of Directors and/or Staff to Support the Audit and Supervisory Committee

Appointed

Matters Concerning Independence of Said Directors and/or Staff from Executive Officers/Reasons for Adopting Current System

- If the Audit and Supervisory Committee requests the appointment of employees to assist in the execution of its duties, the Company complies by appointing such employees.
- To ensure the independence of employees assisting the Audit and Supervisory Committee, supervisory authority over such employees shall be delegated to the Committee, and they shall not receive instructions from Directors (excluding Directors serving as Audit and Supervisory Committee Members) or from other employees.
- The opinions of the Audit and Supervisory Committee shall be respected regarding matters concerning the appointment, transfer, evaluation, and discipline of employees assigned to assist the Committee.

Cooperation among the Audit and Supervisory Committee, Accounting Auditor and Internal Audit Divisions

The Audit and Supervisory Committee and the accounting auditor hold regular and ad hoc meetings to exchange views and discuss audit methods and results. The internal audit divisions conduct regular audits in cooperation with relevant departments to assess the effectiveness of internal control and manage risks. The Audit and Supervisory Committee participates in audits as needed, shares views on matters such as internal control effectiveness, and coordinates appropriately.

Voluntarily Established Committee(s)

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee

Established

Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chairperson **Update**

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

Supplementary Explanation

The Company voluntarily established the Nomination and Compensation Committee composed of a majority of independent Outside Directors on June 29, 2021.

Matters Concerning Independent Directors

Number of Independent Directors	Update	3
---------------------------------	--------	---

Other Matters Concerning Independent Directors

The Company has established the following independence criteria for Outside Directors.

Independence Criteria

Persons who satisfy the independence requirements provided by the Tokyo Stock Exchange shall be deemed independent from the Company. However, the independence of those who fall under the following shall be carefully determined according to actual circumstances.

1. Consultants, accounting or legal professionals who receive a large amount of compensation from the Company other than directors' compensation.
2. Persons who receive a large amount of donation, etc. from the Company, or in case the recipient is a corporation, etc., an executive thereof.
3. A major shareholder of the Company, or in case the entity is a corporation, etc., an executive thereof.
4. Close relatives of the following (excluding those who are irrelevant):
 - A. Persons who fall under 1 through 3 above.
 - B. Directors, Audit and Supervisory Board Members, Executive Officers and important employees, etc. of the Company and its subsidiaries.

Incentives

Implementation Status of Measures related to Incentives Granted to Directors	Introduction of Performance-linked Remuneration Scheme and other plans
--	--

Supplementary Explanation for Applicable Items

With regard to remuneration for the Company's Directors, the Company has established a basic policy for determining remuneration for individual Directors at an appropriate level based on their responsibilities and performance, among other factors, so as to have remuneration that functions as a sufficient incentive to seek the sustainable improvement of corporate value. Specifically, remuneration for executive Directors consists of fixed compensation as the basic compensation, performance-linked compensation, non-monetary compensation, etc. Remuneration for Directors serving as Audit and Supervisory Committee Members, who are responsible for the supervisory function, consists solely of basic compensation in consideration of their duties.

With regard to the allotment of restricted stock-based compensation for the Company's Directors (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors), at the 122nd Annual General Meeting of Shareholders held on June 29, 2021, it was approved that the total amount of monetary compensation claims to be paid as compensation related to restricted stock to the eligible Directors would be no more than 30 million yen per year, and that the entire amount would be paid in the form of contribution in kind. The total number of shares of restricted stock to be allotted would be limited to a maximum of 20,000 shares. However, at the 126th Annual General Meeting of Shareholders held on June 27, 2025, in order for Directors (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors) to share the benefits and risks associated with stock price fluctuations with shareholders for the purpose of further enhancing their willingness to contribute to higher stock price and improvement of corporate value, the total amount of monetary compensation claims to be paid as compensation related to restricted stock to the eligible Directors (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors) was revised to no more than 75 million yen per year and the total number of shares of restricted stock to be allotted was revised to a maximum of 50,000 shares.

Persons Eligible for Stock Options	
------------------------------------	--

Supplementary Explanation for Applicable Items

—

Director Remuneration

Status of Disclosure of Individual Director's Remuneration

No Disclosure for any Directors

Supplementary Explanation for Applicable Items

With regard to the limit on remuneration for Directors (the overall limit), at the 117th Annual General Meeting of Shareholders held on June 29, 2016, it was approved that the total amount of remuneration for Directors would be no more than 300 million yen (provided, however, such amount would not include the salary portion payable to Directors concurrently serving as employees), and that remuneration for Directors serving as Audit and Supervisory Committee Members would be no more than 50 million yen.

Policy on Determining Remuneration Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The Company consults with the Nomination and Compensation Committee regarding compensation for each individual Director (excluding Directors serving as Audit and Supervisory Committee Members), and the Committee reports to the Board of Directors on the appropriateness of the proposed amounts before submission for resolution. The Board of Directors delegates authority to the President and Representative Director, the chief executive, to determine individual director compensation, based on the Company's overall performance and the performance of each Director in their assigned areas of business operations and delegated duties. In addition, to ensure that this authority is exercised appropriately by the President and Representative Director, the Board of Directors consults with the Nomination and Compensation Committee and receives its report. The President and Representative Director, who is delegated the authority described above, must make decisions in accordance with the content of that report.

Compensation for non-executive Audit and Supervisory Committee Members is determined through discussions among the Committee members.

Support System for Outside Directors

The General Affairs Department supports Outside Directors by providing briefings and handling the distribution and collection of materials in advance of Board of Directors meetings.

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

The Company, as a rule, holds a Management Executive Meeting once a month, where executive directors and executive officers discuss and deliberate in advance on proposals to be submitted to the Board of Directors.

The Board of Directors is composed of 5 directors (excluding directors who are Audit and Supervisory Committee members) (of which 1 is an outside director) and 3 directors who are Audit and Supervisory Committee members (of which 2 are outside directors) and make important management decisions. Additionally, the Board of Directors regularly receives reports on the status of business execution from executive officers and monitors and supervises business execution.

We believe that the current system, in which the Board of Directors monitors and supervises business execution and the Audit and Supervisory Committee conducts audits of overall execution of duties by directors, is functioning well.

Regarding audits, the Audit and Supervisory Committee, the internal audit department, and Toyo & Co., the accounting auditor, work in cooperation with each other to improve the effectiveness of audits.

3. Reasons for Adoption of Current Corporate Governance System

Currently, the Company's Board of Directors oversees business execution; the Audit and Supervisory Committee audits the legality and appropriateness of the Board's actions; the Accounting Auditor conducts financial audits, and the internal audit divisions conduct both operational and compliance audits of business execution divisions and affiliated subsidiaries.

The Company believes its corporate governance framework is functioning effectively given its size and structure.

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 Company sends out the notice three weeks before the date of the annual general meeting of shareholders.
Electronic Exercise of Voting Rights	The Company offers shareholders the option to exercise their voting rights by electromagnetic means in addition to voting by mail. The exercise of voting rights by electromagnetic means is available by accessing the designated platform for the electronic exercise of voting rights via PCs and smartphones and exercising the voting rights.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	The Company introduced the platform for electronic exercise of voting rights at the 123rd Annual General Meeting of Shareholders held on June 29, 2022.
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	The Company posts the notice in English (an excerpt version) on the Company's website and the Tokyo Stock Exchange's website.

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	The Company has formulated its disclosure policies (Japanese only) and posted them on the Company's website. For details, please visit the website below. https://www.kato-works.co.jp/ir/html/1_03policy.html	
Regular Investor Briefings held for Individual Investors	The Company has established an investor relations (IR) framework and regularly engages in dialogue with investors and analysts to foster understanding of its business strategies and business plans. For each semi-annual financial period, a video presentation by the President and Representative Director is produced and made available on the Company's website.	Held
Regular Investor Briefings held for Analysts and Institutional Investors	The Company aims to disclose information to investors and other stakeholders through its management policies, medium-term management plans, financial results and their briefing materials, business reports, and securities reports so that the Company's current situation is correctly understood and the evaluation of the Company is appropriately conducted. The materials of the above information are posted on the Company's website. Please visit the website below. https://kato-works.co.jp/eng/ir/index.html	
Establishment of Department and/or Placement of a Manager in Charge of IR	Department in charge of IR: Corporate Communications Department	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	To build strong relationships with stakeholders and actively contribute to local communities and society as a whole, the Company has established an Employee Code of Conduct and implemented a compliance framework to address a range of risks.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	Guided by its management philosophy, the Company strives to contribute to the realization of a prosperous society through its business activities. At the same time, the Company is committed to sustainable business activities and lasting growth by promoting environmentally conscious initiatives, including resource conservation, energy conservation, and recycling, as well as proactive social contribution.
Formulation of Policies, etc. on Provision of Information to Stakeholders	<p>1. The Company has formulated its policies on risk management, internal control system, and compliance with laws and regulations in accordance with the Companies Act and other relevant laws and regulations, and discloses them as needed.</p> <p>2. The Company discloses matters related to its finance and business in a fair, detailed, and simple manner, in line with the Companies Act, the Financial Instruments and Exchange Act, and other applicable laws and regulations, as well as applicable rules of the financial instrument exchange.</p> <p>3. The Company endeavors to earn trust from the stock market by improving its system and methods for information disclosure and enhancing communication with shareholders and investors.</p>

IV. Matters Concerning the Internal Control System

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

Company's Systems and Policies

1. System for storing and managing information pertaining to the execution of duties by Directors

- 1) Information pertaining to the execution of duties by Directors shall be properly stored and managed in accordance with laws, regulations, and internal rules.
- 2) Information pertaining to the execution of duties by Directors shall be made available at all times to Directors (including Audit and Supervisory Committee Members).

2. Rules and other systems for managing the risk of loss

- 1) Various risks associated with business activities shall be addressed by the relevant departments in cooperation with each other, in accordance with internal rules and in response to the specific nature of the risk, or shall be deliberated at the Executive Meetings.

3. System to ensure efficient execution of duties by Directors

- 1) In accordance with that set forth in the Rules of the Board of Directors, meetings of the Board of Directors shall be held regularly, and extraordinary meetings shall be held as necessary, to ensure the efficient execution of duties by Directors.
- 2) Executive Officers responsible for business execution shall be appointed by resolution of the Board of Directors, thereby delegating operations and clearly defining their responsibilities.

4. System to ensure that the execution of duties by Directors and employees complies with laws and regulations, and the Articles of Incorporation

- 1) The Company has established an Employee Code of Conduct, which requires not only compliance with laws and regulations but also ethical behavior expected of members of society. Directors and employees shall conduct corporate activities in accordance with this code.
- 2) A Compliance Officer shall be appointed, and an Internal Control Committee established along with a Legal Affairs and Compliance Department to serve as its secretariat, in order to build and enhance the compliance framework.
- 3) The Company shall conduct compliance-related training and other activities, establish a whistleblowing system, and maintain a framework to ensure appropriate responses.

5. System to ensure the proper business operations of the corporate group comprising the Company and its subsidiaries

- 1) In accordance with the Charter of Corporate Behavior, the Company shall work to raise awareness of legal compliance among all Directors and employees of the Group.
- 2) The internal audit divisions shall conduct internal audits, to the extent necessary to ensure the appropriateness and effectiveness

of the Group's operations.

3) The Company shall establish, maintain, and operate a group-wide management system for all matters outlined in the "System to ensure that the execution of duties by Directors and employees complies with laws and regulations, and the Articles of Incorporation," "System for storing and managing information pertaining to the execution of duties by Directors," "Rules and other systems for managing the risk of loss," and "System to ensure efficient execution of duties by Directors."

6. Matters relating to employees when the Audit and Supervisory Committee requests the appointment of employees to assist in the execution of its duties, matters relating to the independence of such employees from Directors (excluding Directors serving as Audit and Supervisory Committee Members), and matters relating to ensuring the effectiveness of instructions given to such employees.

1) If the Audit and Supervisory Committee requests the appointment of employees to assist in the execution of its duties, the Company shall comply by appointing such employees.

2) To ensure the independence of employees assisting the Audit and Supervisory Committee, supervisory authority over such employees shall be delegated to the Committee, and they shall not receive instructions from Directors (excluding Directors serving as Audit and Supervisory Committee Members) or from other employees.

3) The opinions of the Audit and Supervisory Committee shall be respected regarding matters concerning the appointment, transfer, evaluation, and discipline of employees assigned to assist the Committee.

7. System for reporting to the Audit and Supervisory Committee by Directors (excluding Directors serving as Audit and Supervisory Committee Members) and employees of the Company and its subsidiaries

1) Directors and employees of the Company and its subsidiaries shall immediately report to the Audit and Supervisory Committee upon discovering any material violation of laws and regulations or other significant compliance-related matter within the Company or the Group.

2) The Audit and Supervisory Committee shall receive reports from the internal audit divisions on the outcome of the Internal Audit Results Review Committee.

3) Audit and Supervisory Committee Members shall attend meetings of the Board of Directors and other important meetings in order to understand key decision-making processes and the status of business execution.

4) Reports on the operational status of the whistleblowing system (Compliance Helpline) shall be made to the Audit and Supervisory Committee as appropriate.

8. System for ensuring that persons who report to the Audit and Supervisory Committee are not subject to disadvantageous treatment due to such reports

1) Disadvantageous treatment of individuals on the basis of having reported to the Audit and Supervisory Committee shall be prohibited.

9. Matters concerning the policies on the procedures for advanced payment or reimbursement of expenses arising from the execution of duties by Audit and Supervisory Committee Members, and on the processing of other expenses or obligations arising from the execution of those duties

1) When an Audit and Supervisory Committee Member requests advanced payment of expenses incurred, reimbursement of expenses paid, or payment of obligations assumed in the execution of his or her duties, the Company shall comply with the request unless it can be proven that the expenses or obligations were not incurred from the execution of his or her duties.

10. Other systems to ensure that audits by Audit and Supervisory Committee Members are conducted effectively

1) Directors (excluding Directors serving as Audit and Supervisory Committee Members) and employees shall establish and maintain an audit environment conducive to the effectiveness and efficiency of audits.

2) Audit and Supervisory Committee Members shall clarify their duties in accordance with laws and regulations, the Articles of Incorporation, and internal regulations such as the Rules of the Audit and Supervisory Committee and the Audit and Supervisory Committee Member Operational Procedures, and shall strive to achieve audit objectives in cooperation with the Accounting Auditor and the Internal Control Committee.

3) Audit and Supervisory Committee Members shall receive reports as necessary on the execution of duties from Directors (excluding Directors serving as Audit and Supervisory Committee Members) and employees.

4) Audit and Supervisory Committee Members shall regularly meet with the Representative Director, the Accounting Auditor and others to exchange opinions and foster mutual understanding and trust.

11. Basic views on measures for eliminating anti-social forces and the status of development

1) The Company's Employee Code of Conduct stipulates that "We will not give in to anti-social forces and will resolutely confront them." The Company shall take a firm stance against anti-social forces (anti-social individuals or groups) and shall maintain no relationships with them. In response to unjust demands by anti-social forces, the Company shall work closely with the department in charge and external specialized agencies, such as the police. We shall also strengthen and promote internal systems for eliminating anti-social forces.

12. System to ensure the reliability and appropriateness of financial reporting

1) To ensure the reliability and appropriateness of financial reporting, the Company shall comply with the Financial Instruments and Exchange Act and related laws and regulations, continuously evaluate and verify the effectiveness of the internal control system, and take necessary measures.

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

They are as described in the Company's Systems and Policies 11 in "Basic Views on Internal Control System and Status of Development."

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
------------------------------------	-------------

Supplementary Explanation for Applicable Items

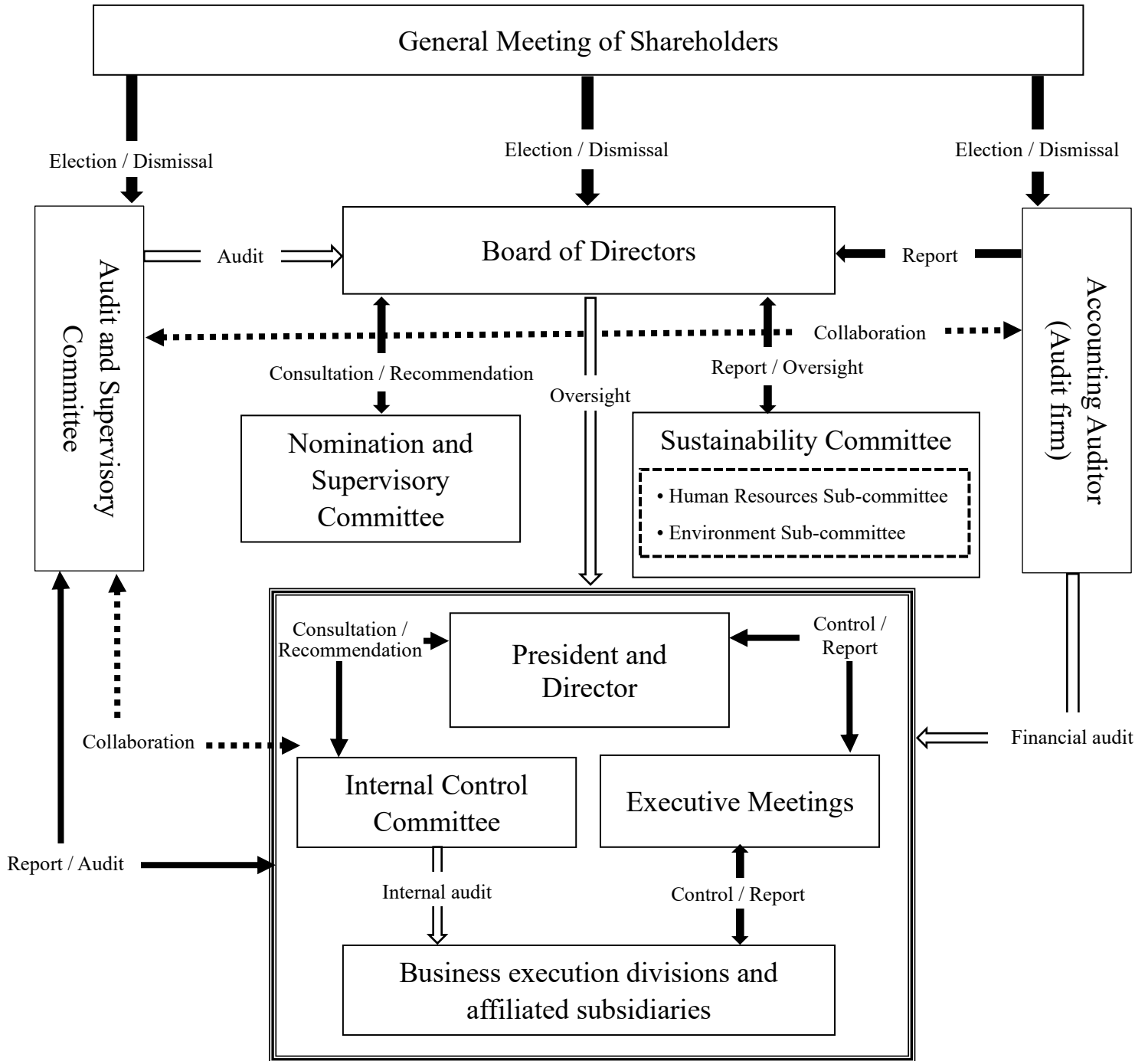
—

2. Other Matters Concerning the Corporate Governance System

The Company's corporate governance framework (Chart 1) and the internal system for timely disclosure (Chart 2) of the Company's information are as follows:

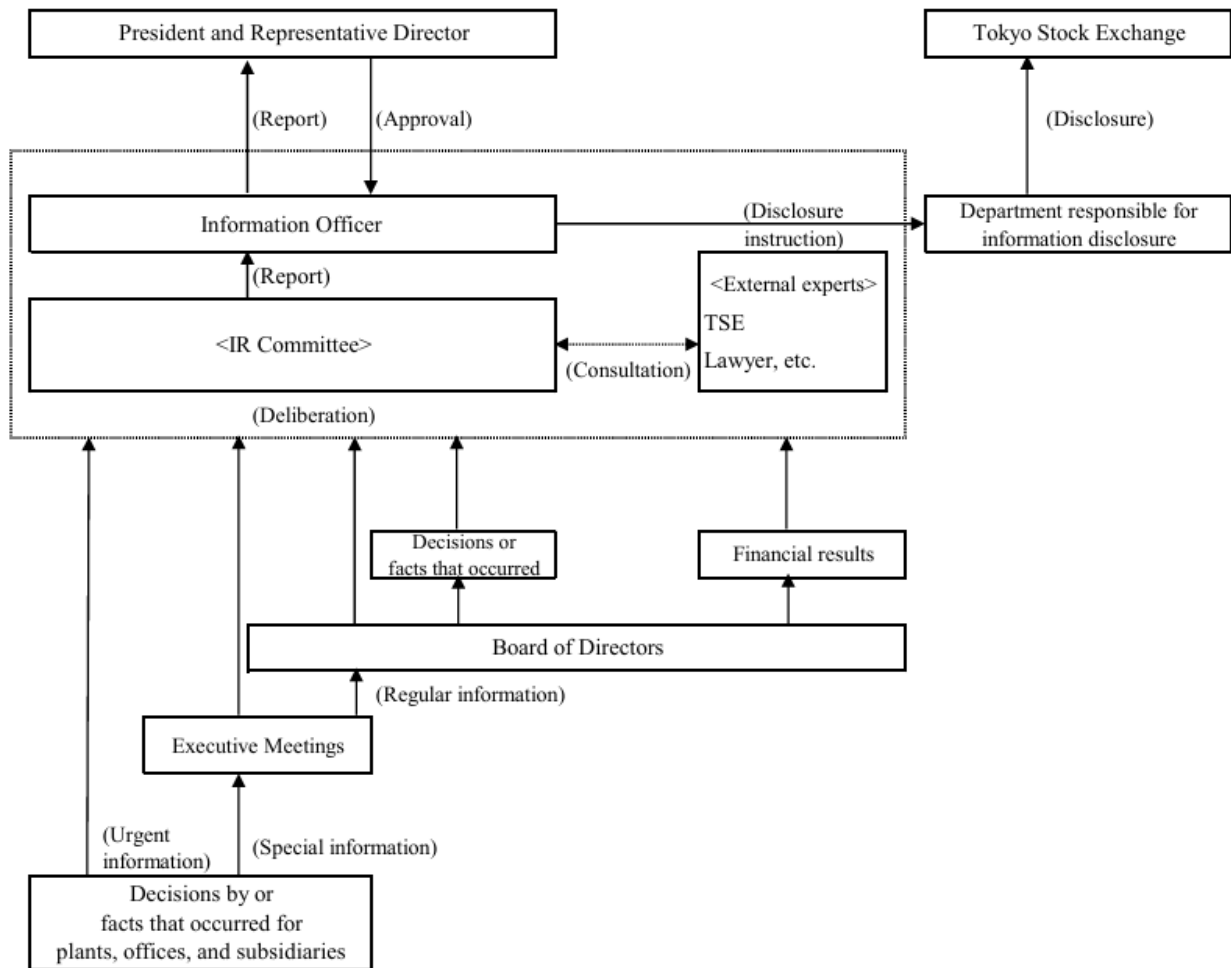
(Chart 1)

Corporate Governance Framework



(Chart 2)

Internal System for Timely Disclosure



1. Information Officer and IR Committee

- (1) The Company shall appoint an Executive Officer in charge of general affairs as the Information Officer, who will serve as the liaison with the Tokyo Stock Exchange, oversee the internal management of important corporate information, and perform control related to information disclosure.
- (2) In order to disclose information in an appropriate and timely manner, the Company has established the IR Committee chaired by the General Manager of the General Affairs and Personnel Control Department. The Committee deliberates on the necessity of disclosure, assesses and reviews the content of the disclosure. □
- (3) The IR Committee is composed of the aforementioned chairperson along with the heads of the finance, legal, public relations, and other departments, with the Corporate Communication Department, which is responsible for information disclosure, serving as the secretariat.

2. Procedure for Disclosure

- (i) The IR Committee, including the Information Officer, deliberates on the necessity of disclosure of such information with reference to the Guidebook for the Timely Disclosure of Corporate Information and, if necessary, in consultation with external experts.
- (ii) The IR Committee reports the results of its deliberations to the President and Representative Director.
- (iii) The President and Representative Director instructs the Information Officer to disclose information upon confirming the necessity of disclosure.
- (iv) The Information Officer instructs the department in charge of information disclosure to disclose information via the Tokyo Stock Exchange and, as necessary, through the Company's website, etc.

END