

## **MISUMI Group Corporate Governance Basic Policy**

This sets forth MISUMI Group's basic policy related to corporate governance.

### **1. Principles of Corporate Governance**

- (1) The purpose of corporate governance at MISUMI Group is to contribute to MISUMI Group's sustainable growth and increase of corporate value over the mid- to long-term.
- (2) MISUMI Group aims to increase corporate value over the mid- to long-term through the pursuit of strategic management, development of management talent and global business growth.

### **2. Relations with Our Shareholders**

- (1) MISUMI Group discloses to our shareholders important management information in an active, timely and appropriate manner. Information about MISUMI's financial condition, management philosophies, management strategies, business plans and policy on risks, governance, social and environmental issues are disclosed in business reports, financial statements, and financial summaries, and on the company's website.
- (2) General meetings of shareholders are held when and where it is easy for more shareholders to attend. For example, we avoid the days on which many other companies tend to hold their general shareholder meetings.
- (3) Before mailing the Notice of Convocation of the Annual General Meeting of Shareholders, the contents of the notice are made publicly available in Japanese and English on the company's website. We also make it more convenient for shareholders to exercise their proxy votes, by means such as electronic platforms for exercising proxy votes.
- (4) The following is the company's policy related to dialog with our shareholders.
  - MISUMI Group is actively engaged in a constructive dialog with our shareholders, primarily involving the Director who supervises IR activities.
  - The company has established a representative and organization responsible for IR activities, which implements investor briefings and other IR activities in coordination with general administration, finance and accounting, legal and other organizations.

- To provide information broadly and fairly to our shareholders, MISUMI Group actively discloses earnings presentations and company information profiles on the company's website.
  - Opinions and suggestions from our shareholders are reported to Directors and the Board of Directors as needed, and discussed.
  - MISUMI Group's information disclosures and insider information are managed in accordance with MISUMI's Disclosure Policy.  
(<http://www.misumi.co.jp/english/ir/disclosure/>)
- (5) The following is the basic strategy related to MISUMI Group's capital policies.
- Accelerate business growth as a top priority while maintaining balance with profitability and capital efficiency.
  - Aggressively make investments needed to accelerate business growth. To that end, secure a certain level of cash and deposits on hand while securing access to funding.
  - Use operating margin as an indicator of profitability and publicly disclose operating margin targets.
  - Achieve sustainable growth to increase profits that can be paid out as dividends as a basic means of returning profits to shareholders. Set and publicly disclose specific shareholder return policies based on a comprehensive review that takes into account the investments and management structure enhancements required to sustain growth and to increase corporate value, the strength of our balance sheet, and the improvement of capital efficiency.
3. MISUMI Group's Corporate Governance Mechanisms
- (1) MISUMI Group establishes a Board of Directors and Audit Committee in accordance with the Companies Act.
  - (2) In addition to the above, MISUMI Group establishes a Compensation Committee, as well as other advisory committees deemed necessary.
  - (3) To execute business operations, MISUMI Group establishes Business Divisions, Business Companies, which are tasked with overseeing the business and Platforms shall provide business support and service functions.
  - (4) The corporate governance mechanisms of MISUMI Group are reviewed as necessary and appropriate in accordance with environmental changes inside and outside the company.

#### 4. Board of Directors

##### (1) Role of the Board of Directors

- The Board of Directors provides strategic direction to the MISUMI Group, decides important business matters, provides supervision and guidance on the execution of the roles and responsibilities of Executive Directors, Representative Corporate Officers of Business Divisions, Business Companies and Platforms (hereafter referred to as Representative Corporate Officers) , and builds appropriate internal controls systems.
- The Board of Directors evaluates on a regular basis and revises as necessary the operational status of the internal controls system, the status of practice of the code of conduct and the operational status of the whistleblower system at the MISUMI Group.
- If MISUMI Group seeks to conduct a transaction with Directors, Corporate Auditors or its major shareholders, in advance of the transaction, the matter of the transaction in question shall be submitted to and approved by the Board of Directors including independent Outside Directors.

##### (2) Constitution of the Board of Directors

- The Board of Directors shall comprise no more than 10 Directors to enable an active exchange of opinions and prompt decision-making.
- MISUMI Group shall strive to maintain a board constitution that possesses diverse range of well-balanced knowledge, experience and abilities; all the while ensuring both diversity and appropriate numbers are maintained within the Board of Directors as a whole.

##### (3) Election and dismissal of Directors

- The management team comprising Directors and Representative Corporate Officers of MISUMI Group are selected from individuals from inside and outside of the company who possess the ability and experience to build up and implement management strategies and plans.
- The MISUMI Group is focused on developing management talent. Representative Corporate Officers are selected from among Corporate Officers and division general managers. These Representative Corporate Officers are granted broad authority. Executive Directors selected from inside of the company shall be selected from Representative Corporate Officers who will contribute to increase corporate value.

- The candidate to succeed the Representative Director and President shall be selected by the Board of Directors from the Executive Director who will contribute the most to increase corporate value. In addition, the Board of Directors of the Company shall ensure proper supervision with respect to the successor receiving sufficient time and resource allocations required for training purposes.
- The selection of Director candidates and the selection and assignment of Representative Corporate Officers shall be decided by resolution of the Board of Directors including independent Outside Directors.
- The term of service of a Director shall be one year. Information needed for shareholders to decide a candidate's qualifications, such as the candidate's work history, important concurrent responsibilities, reason for selection as a candidate, and independence as an Outside Director, shall be disclosed in a Director election proposal for the general shareholders meeting.
- The Board of Directors shall take appropriate company evaluation measures into account, when determining whether the Representative Director and President is properly exercising his or her duties sufficiently to improve the corporate value of the company. If not, Representative Director and President's dismissal shall be determined pursuant to careful deliberations at the Board of Directors meeting.

#### (4) Independent Outside Directors

- MISUMI Group shall elect at least two independent Outside Directors.
- The qualifications of a MISUMI Group independent Outside Director are based on the requirements for independent Directors and Corporate Auditors as stipulated by the Tokyo Stock Exchange.
- MISUMI Group selects as independent Outside Director candidates those individuals who possess the experience and expertise that would enable such individuals to perform appropriate advice and supervision to Directors and Representative Corporate Officers.
- Independent Outside Directors and Corporate Auditors shall meet on a regular basis to exchange information and share understandings based on an independent and objective point of view.

#### (5) Compensation of Directors

- Compensation of Executive Directors shall comprise the following three components to link to business performance over the short- as well as mid- to long-term.
  - ① Fixed compensation

- ② Bonus linked to business performance as compensation for the achievement of short-term targets tied to annual business performance.
- ③ Stock options as incentive to increase corporate value through the growth of business performance over the mid- to long-term.
- As a component of the aggregate amount of compensation paid to Directors each fiscal year, the amount of fixed compensation, bonuses tied to business performance and stock options, in aggregate respectively, shall be disclosed every year. The total amount of compensation for individual Directors shall be disclosed if or where required by law or ordinance.
- Independent Outside Directors shall be compensated based solely on a fixed amount, in light of their role and independence.
- Director compensation shall be decided based on approval by the Compensation Committee, comprising independent Outside Directors, Representative Director and Chairman, and Representative Director and President.
- In the event of serious misconduct or violation by a Director, the Director's compensation (including beneficial interest) may be confiscated or claimed for restitution.

(6) Operation of the Board of Directors

- In principle, regular meetings of the Board of Directors shall take place once per month and special meetings of the Board of Directors as necessary.
- MISUMI Group's Board of Directors decides matters including those matters designated as matters to be decided by the Board of Directors under the Companies Act, as well as other particularly important matters. The company's internal rules determine a basis for importance of such matters.
- Apart from the Board of Directors, the MISUMI Group also establishes a Group Officers' Committee, which comprises Executive Directors and Representative Corporate Officers. By delegating authority to the Group Officers' Committee, MISUMI Group narrows down to important matters what is to be decided by the Board of Directors and attempts to enhance the Board of Directors' ability to supervise operational execution.
- Of those matters to be approved by the Board of Directors, particularly important matters are initially submitted to the Board as a matter for discussion, before a final decision is sought, to provide advance opportunity for sufficient discussion and study.
- Every year, the Board of Directors analyzes and evaluates the actual

effectiveness of the board as a whole. That analysis and evaluation is performed by Corporate Auditors per request by the Chairman of the Board of Directors.

(7) Training and Continuing Education of Directors

- Newly elected Directors shall be given the opportunity to acquire knowledge related to the company's business, finances and organization by observing Board of Directors meetings and other important meetings before appointment to the role.
- MISUMI Group provides regular training opportunities for Directors to acquire and refresh the knowledge needed to appropriately fulfill the role and responsibilities of a Director of a publicly listed company.

5. Audit Committee

(1) Constitution of the Audit Committee

The Audit Committee shall comprise at least three Corporate Auditors, at least half of which shall be Outside Auditors.

(2) Election of Corporate Auditors

- At least one Corporate Auditor shall be a candidate who possesses appropriate experience, ability and necessary knowledge of finance, accounting and law. And at least one candidate shall have sufficient expertise with regard to financial accounting.
- Outside Auditor candidates shall possess qualifications that fulfill the requirements for independent Directors and Corporate Auditors as stipulated by the Tokyo Stock Exchange.
- The selection of Corporate Auditor candidates shall be decided by resolution of a Board of Directors including an independent Outside Director, with consent of Corporate Auditors.
- The term of service of a Corporate Auditor shall be four years. Information needed for shareholders to decide a candidate's qualifications, such as the candidate's work history, important concurrent responsibilities, reason for selection as a candidate, and independence as an Outside Auditor, shall be disclosed in Corporate Auditor election proposal for the general shareholders meeting.

(3) Compensation of Corporate Auditors

Corporate Auditors shall be compensated based solely on a fixed amount, in light

of their role and independence.

(4) Training and Continuing Education of Corporate Auditors

- Newly elected Corporate Auditors shall be given the opportunity to acquire knowledge related to the company's business, finances and organization by observing Board of Directors meetings and other important meetings before appointment to the role.
- MISUMI Group provides regular training opportunities for Corporate Auditors to acquire and refresh the knowledge needed to appropriately fulfill the role and responsibilities of a Corporate Auditor of a publicly listed company.

6. Business Divisions, Business Companies and Platforms

- (1) Within the scope set forth by the Board of Directors, MISUMI Group delegates authority to its Business Divisions, Business Companies which are tasked with overseeing the business, and Platforms which provide business support and service functions.
- (2) Each Business Division, Business Company and Platform holds its own Management Meeting, such as Business Company Management Meeting to discuss and decide important matters related to each organization respectively.