

Message from an Outside Director



Further reinforcing governance to boost corporate value

Atsushi Iwasaki

Outside Director

● Chair of Board of Directors / Chair of Nomination and Compensation Committee / Chair of ESG Committee

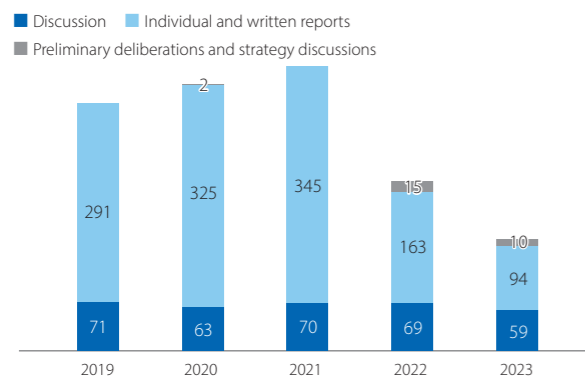
Q Please tell us about your efforts to revitalize the Board of Directors.

I was appointed Chair of the Board of Directors in March 2022. Despite this being the **first time that an Outside Director had assumed the chairmanship** of the Company, the first thing we set out to accomplish was to **reform the Board of Directors**.

Step one was to **improve agenda setting**. I felt that the Board used to have a large number of items on its agenda and that the time allotted for each individual item was insufficient. To ensure sufficient time could be dedicated to corporate strategy and other major directional matters, the monetary standard for the regulations of authority pertaining to the Board of Directors was raised significantly, and authority was transferred to the Directors' Operation Committee. Since there was a risk, however, of missing qualitatively important matters by taking only this action, I myself observe all meetings of the Directors' Operation Committee, and when I determine that a matter should be brought up for discussion or reported to the Board, I give instruction as appropriate.

The second is to **upgrade the advance explanation**. A few days prior to each Board of Directors meeting, we conduct a pre-briefing for Outside Directors to ensure that they have a deep understanding of pertinent issues. In many cases, materials from Directors' Operation Committee meetings were used to provide explanations. In some instances, though, internal terminology was often used,

Breakdown and number of agenda items for Board of Directors' meeting



making it somewhat unclear what was to be discussed. We strive to ensure that Board meetings operate efficiently by clarifying issues during pre-briefings and directing additions to the executive summaries as needed.

The third was the **establishment of a new management strategy discussion**. There are many issues that Board members should discuss, even if they do not actually make a Board meeting agenda. The time saved by streamlining Board meetings is allocated to discussions on management strategy. Intellectual property strategy is one such example. During such management strategy discussions, the Board does not record minutes and opinions are freely and openly exchanged.

Q How would you characterize the operation of the Nomination and Compensation Committee?

The Company has implemented institutional reforms for both the nomination and compensation systems.

First, with respect to nominations, we have **changed the composition of the Board of Directors**, as approved at the ordinary general meeting of shareholders in March 2024. In concrete terms, the number of Directors has been changed from six internal Directors and three Outside Directors to **five internal Directors with the number of Outside Directors unchanged. Two female Outside Directors—including one with corporate management experience—have been appointed to ensure diversity**. We believe that this will allow for discussion from a perspective that wasn't possible previously.

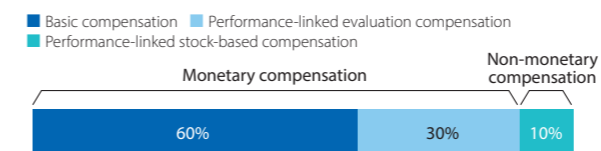
Next, with respect to compensation, we **revised the Directors' compensation system** in March 2022. What had been essentially only fixed compensation will now consist of basic compensation, performance-linked evaluation compensation, and performance-linked stock-based compensation. The aim is to clearly link Directors and Corporate Officers to business performance and shareholders' value, and to heighten their awareness of the contribution to boosting corporate value.

In relation to performance-linked evaluation compensation, **interviews with internal Directors by Outside Directors were instituted as a regular practice**. While we have frequent opportunities to come in contact with executives who work at

the Tokyo headquarters, such opportunities are rare with those stationed in Matsuyama, a key location of the ISEKI Group. As such, once each year, Outside Directors visit Matsuyama to meet with all Directors who work there. The results of these interviews are then fed back to the Nomination and Compensation Committee for assessment.

As you see, we have reformed our nomination and compensation systems, but we are not finished yet. Based on the opinions of our stakeholders, we will continue to make improvements.

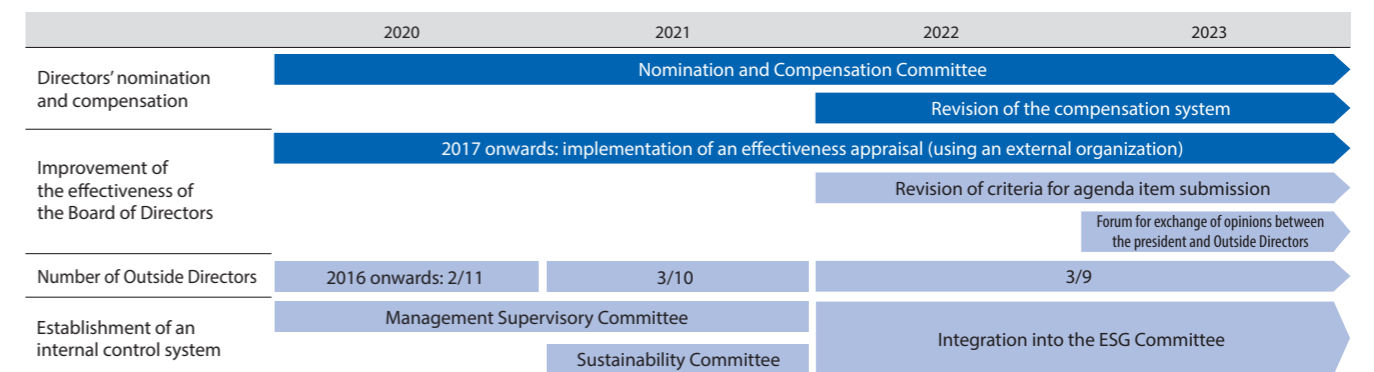
Composition of Directors' compensation *Excluding Outside Directors



Q Please share with us about your plans to reinforce ESG initiatives.

Following the developmental dissolution of the previous Management Supervisory Committee and the Sustainability Committee, the Company newly established the ESG Committee in August 2022 as an advisory body to the Board of Directors. I chair the Committee, and its members include Directors and Corporate Officers. Audit & Supervisory Board Members serve as observers. The purpose of the Committee is to **manage the organization centrally** by covering issues related to ESG in general, including environment, human capital, governance, and compliance. Until now, there have been a number of meeting bodies, such as the Sustainability Committee and the Risk Management Control Committee. These were formed in response to the needs of the moment. With the establishment of the new ESG Committee, the previous meeting bodies have been **reorganized into working groups (WGs) to promote ESG**. There are currently nine WGs—some permanent, such as compliance and environment, and some temporary, such as the 100th anniversary WG. With regard to operations, we are able to respond flexibly to occasional changes in the environment. The most important discussions conducted by the WGs are reported to the ESG Committee to share the information among its members.

History of governance reinforcement



Q What are your expectations for the future of the ISEKI Group?

The aforementioned major governance reform initiatives are but one aspect of corporate management. As indicated in our basic strategy, "enhancement of corporate value by strengthening profits and reinforcing corporate governance," **it is of utmost importance for a company to secure appropriate earnings**. With regard to this point, as an Outside Director, I regret that the Company is off the track of the Mid-term Management Plan formulated in 2021. Meanwhile, in a sense, I see this positively as a **prime opportunity for real change**, and I intend to continue to make various proposals from my perspective as an Outside Director. I view the following two points as being of particular significance.

The first is a **swift response to changes in the environment**. Our earnest corporate culture is one of our strengths, but we tend to respond slowly to change. Delays in decision-making can be fatal when attempting to expand overseas operations. We have established a structure within which the Board of Directors spends sufficient time discussing major directions and then delegates authority to the executive side once a determination has been made. I feel that, when matters are progressing as planned, reports should be brief. When there are major changes in the environment, however, the Board of Directors should return to the discussion and undertake bold changes in course.

The second is to **further promote selection and concentration**. This is a theme that is typically incorporated into mid-term management plans and is generally advocated by all companies, but I'm afraid I must say that our company's efforts are inadequate. Decisions on management resource allocation should be based on timely and appropriate analysis, because it is difficult to generate consolidated profitability with an omnidirectional strategy that is considerate of everyone in the Company.

I understand that it can be difficult to navigate the distance between Outside Directors and the executive side. I believe, however, that **it is of utmost importance to maintain a moderate sense of tension while communicating sufficiently**. The year 2025 marks 100 years since the Company was founded. We are committed to making a contribution—however small—to ISEKI's sustainable development and to satisfying the expectations of our stakeholders. We would be grateful for your continued support and encouragement.