

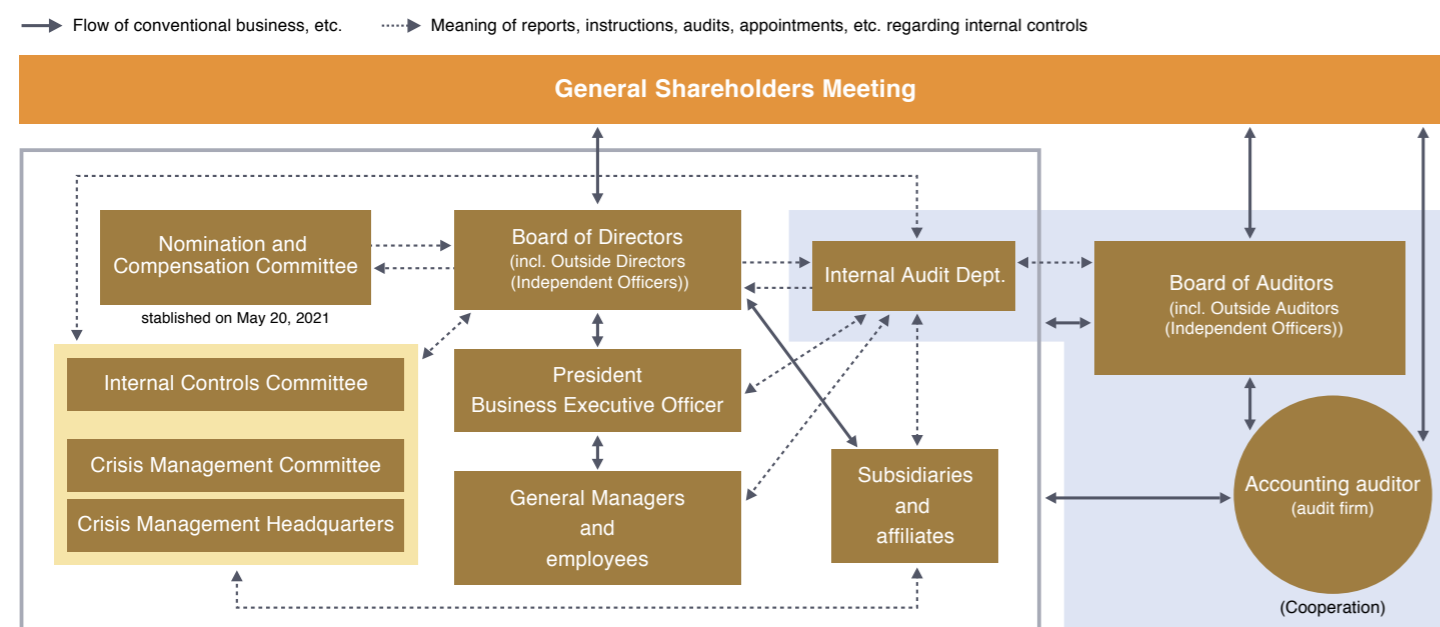
Aiming to improve corporate value, we strive to strengthen and enhance corporate governance through rapid decision making and management efficiency, and through ensuring transparency and soundness of management by strengthening supervisory functions. In doing so, we are also taking appropriate measures related to risk management and compliance.

Corporate governance system

Our basic idea is to enhance our corporate governance centered on a system of directors and auditors, and to build fair and transparent business management mechanisms.

Our business management structure consists of nine directors, including three outside directors, and four auditors, including three outside auditors.

■ Corporate governance system



● Board of Directors

To respond promptly and appropriately to changes in the business environment, the Board of Directors holds, in addition to monthly board meetings, meetings between directors as needed to ensure prompt responses, efficient execution of operations, and monitoring of execution of operations between directors.

● Board of Corporate Auditors

The Board of Corporate Auditors conducts audits to ensure directors conduct business fairly. To ensure independence, 3 out of the 4 auditors are outside auditors (part-time), and our system is such that all corporate auditors, including part-time employees, can attend all meetings of the Board of Directors.

Compliance

Our Board of Directors has established “Management Policies,” a “Corporate Code of Ethics,” and a “Corporate Code of Conduct,” etc., and advocates compliance with laws and regulations. To ensure business is conducted based on these policies and norms, we have established an Internal Controls Committee to strengthen compliance.

We list the following with respect to compliance and adherence to social norms, and all officers and employees, including directors, carry out their duties with an awareness thereof.

1. Conduct company activities in accordance with compliance, social norms, and social decency.
2. Conduct sound company activities by remaining insulated from antisocial forces that threaten social order and security.
3. Comply with international rules and local laws, and respect local cultures and customs when conducting international business activities. Conduct company activities that contribute to the development of each country.

Efforts for eliminating antisocial forces

We have no relationships with antisocial forces that threaten the order and safety of civil society or any similar organizations, and stipulate that requests for such relationships be categorically rejected.

We cooperate with the police, the Federation for Special Violence Prevention Measures, and external specialized institutions by setting up points of contact and centrally managing information.

Our Attitude toward corporate governance

We are engaged in enhancing corporate governance that is continuously improved based on the basic corporate governance concepts shown below.

- (1) We respect the rights of, and ensure the equality of, all shareholders.
- (2) We work appropriately, and in good faith, taking into consideration the interests of all stakeholders, including shareholders, consumers, business partners, employees, and local communities.
- (3) We proactively disclose not only appropriate information disclosed based on relevant laws and regulations, but also other information that can be used as a basis for investment decisions.
- (4) Our Board of Directors is responsible for achieving sustainable growth and maximizing corporate value over the medium- to long-term based on the fiduciary security from our shareholders.
To that end, we build business management mechanisms that are fair and transparent by implementing an executive officer system and separating decision-making and business execution functions, and by strengthening business execution supervision functions through the appointment of outside officers. (outside directors and outside corporate auditors).
- (5) We engage in constructive dialogue with our shareholders in order to achieve sustainable growth and maximize corporate value over the medium- to long-term.

Furthermore, it is important that we recognize issues and anticipate changes for achieving new growth in the midst of the changes in the environment triggered by COVID-19.

Therefore, we believe it is important for companies to tackle governance issues such as sustainability issues with a sense of urgency in order to achieve sustainable growth and increase corporate value over the medium- to long-term.

● Establishment of a Nomination and Compensation Committee

To enhance the fairness, transparency, and objectivity of procedures related to nominating and compensating directors and executive officers, etc., and to further enhance corporate governance, we established a Nomination and Compensation Committee on May 20, 2021.

The Nomination and Compensation Committee, in response to inquiries from the Board of Directors, mainly deliberates on matters related to the appointment and dismissal of directors, matters related to director compensation, and other matters approved by the committee regarding director nomination and compensation, and provides advice and recommendations.

The Nomination and Compensation Committee is composed of at least three but no more than five persons, half of whom shall be independent outside directors. The Committee Chair shall be an independent outside director (reported to the Tokyo Stock Exchange, Inc.).

● Overview of Outside Directors

One of the three outside directors shall be an attorney, the other two shall be corporate business managers.

In addition to promoting stronger compliance and enhancing corporate governance, we have appointed three people, including women, to incorporate various points of view from a diversity of perspectives.

● Sustainability Initiatives

With the aim of realizing sustainable improvement of corporate value while taking social responsibility into consideration, we are actively engaged in SDG initiatives. We are working not only to convey the reality of these initiatives but also to ensure that each of our employees has a deep understanding of, and is strongly motivated with respect to, the significance of our SDGs and sustainability, and develops an attitude for working independently to achieve them.

We have posted our Basic Policy on Corporate Governance and Corporate Governance Report Form on the “Corporate Governance” page of our home page.

[Click here for information on corporate governance](https://www.pacific-metals.co.jp/en/ir/governance.php) <https://www.pacific-metals.co.jp/en/ir/governance.php>