

**For the Fiscal Year Ended December 31, 2023**

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**Annual Select<sup>®</sup> 2023**

**KOKEN LTD.**

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### **Corporate Profile**

Since our founding in 1943, we have consistently stood by our two company policies of “never follow other companies” and “conduct thorough research.” With the goal of becoming a manufacturer that is second to none in research and development, Koken has pursued research and development with the aim of developing “first-of-their-kind” and “truly useful” products. As a result, we have succeeded in developing a lot of original products in the field of respiratory protective equipment to contribute to improving the health of workers.

Koken started business with dust masks as its core product and has established its position as the top manufacturer in the field of respiratory protective equipment. However, our mission is not to sell masks, but rather to help protect the safety and health of people. Based on this idea, we have developed innovative technologies in the fields of cleanliness, health, and safety, which has allowed us to develop a wide range of products besides masks, such as environment-related equipment and facilities designed to improve work environments and products that apply the technology of strongly acidic electrolyzed water and are totally different from conventional disinfectants. Our mission is to contribute to society based on our own technological innovation.

With the aim of transitioning to a new growth stage, we have adopted the management principles of “nurture people,” “nurture technology,” and “nurture new markets in the fields of cleanliness, health, and safety,” which can also be called Koken’s DNA, and will continually strive to realize our management principles. Please stay tuned for future development of Koken’s new technologies and products in these fields.

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## I. President's Message

### Greeting

Allow me to introduce myself. My name is Tsutomu Murakawa, and I am honored and grateful to have the opportunity to serve as President for KOKEN LTD.

Firstly, I would like to express my heartfelt gratitude for your continued support and patronage to the Company.

Since its foundation, KOKEN LTD. has grown in the safety business domain with a focus on the development of respirators for industrial use. Having launched the cleanliness business domain with a focus on the recently developed KOACH, an open clean zone creator, we are now ready to step up to a new growth stage.

To realize this new growth, we have set forth three management principles, which could also be described as the Company's DNA: "Nurture people," "Nurture technology" and "Nurture new markets in cleanliness, health and safety business domains."

For the next generation, we will establish the health business domain as the third main pillar of operations and make each of three main pillars of business stand on its own. Everybody from the management down to each employee in the Company is now striving to implement these initiatives to achieve a stable and strongly growing company in the future.

We look forward to your continued understanding and support in the future.



### Announcement of Our Management Stance - Our Goal: Long-Term Sustainable Growth

At the KOKEN Group, we aim to achieve long-term sustainable growth based on our Management Principles through which we will contribute to society: (1) Nurture people, (2) Nurture technology and (3) Nurture new markets in cleanliness, health and safety business domains.

The current business environment surrounding our Group remains uncertain at home and abroad due to its fast and drastic change.

In these circumstances, while maintaining the unchanging long-term goal to nurture new markets in cleanliness, health, and safety business domains based on our own original technological innovations, we consider that (1) establishing specific targets and an action plan to achieve them every year and implementing them steadily and (2) achieving each year's targets by modifying the action plan quickly and flexibly to respond to ever-changing business environment are the best and surest ways to achieve long-term sustainable growth of our Group.

As mentioned above, to expand beyond the "safety" business and establish the "cleanliness" and the "health" business domains as the second and third pillars of operations, respectively, we are now striving to develop our own original products which have never before existed, and cultivate and expand new markets for them.

By taking such a management stance, our immediate highest priority is not achieving rapid profit growth and capital efficiency, but rather nurturing new businesses in the domains of "cleanliness" and "health" businesses, which may eventually result in an improved operating margin as well as increased net sales and operating income.

The Group's research and development base, the Advanced Technology Center, is a facility where technological development personnel gather, exchange knowledge, and make large contributions to increasing the Group's ability to develop technology. Going forward, focusing on enhancing its presence as a forum for promoting collaboration and joint research with various external organizations and companies, we aim to develop sustainably and to increase our corporate value.

We sincerely ask that our shareholders also look forward to our Group's continued growth from a longer-term perspective.

## Operating Forecasts for the Next Fiscal Year Ending December 31, 2024

The future business environment surrounding the Group is expected to remain uncertain, as there are risks regarding the downturn of overseas economies that will exert downward pressure on the Japanese economy. These risks include the effects of global financial tightening and concerns about the future of the Chinese economy. The Japanese economy is expected to be on an upward trend due to the effects of various policies despite some unstableness. Under these circumstances, the Group will diligently strive to develop markets using its comprehensive responsive abilities based on its technological capabilities while further evolving our efforts.

For the fiscal year ending December 31, 2024, revenue is expected to increase due to the expanded sales of industrial masks and the recovery of deliveries of the “KOACH” open clean zone creator, although the demand for anti-infection masks is assumed to return to the level before COVID-19.

Regarding sales of industrial masks, base sales are expected to remain strong due to improved industrial activities. Moreover, with the expected increase in repair work for infrastructure development, we will continue to strive to increase orders. Moreover, demand for replacements is expected from the second half of the next fiscal year as the method for selecting masks will be changed due to the revision of ministerial ordinances, etc., for autonomous management of chemical substances that will take effect in April 2024. However, net sales of this business as a whole are expected to be 8.8 billion yen (down 5.1% year on year) due to a large reactionary fall of demand for anti-infection masks with the end of the COVID-19 pandemic.

In the environment-related business, the global semiconductor market is forecast to expand again; the Japanese market is expected to expand as well. Taking advantage of such a tailwind of expanding markets, we will take initiatives to accelerate the “KOACH” open clean zone creator along a growth path. Specifically, the Group will further strengthen recommendations for cleanliness checks for users who have clean rooms and problem-solving proposal-based marketing through full utilization of showrooms in six locations nationwide including the Kumamoto showroom. In the Kyushu area, which is prospering as a new silicon island due to the concentration of semiconductor-related industries, the Group will strive to increase orders through organized marketing combining its marketing power including strengthening relationships with semiconductor-related companies. Through these efforts, overall net sales of this business are expected to be 1.6 billion yen (up 65.3% year on year). As the first step toward overseas expansion, the Group will start utilizing the KOACH system at the semiconductor laboratory of Stanford University in the U.S.

Regarding sales of the endoscope washer/disinfector “Kagami-Naishi II G,” the Group plans to steadily accumulate track records one by one regardless of new or existing customers. Net sales for the overall business segment are expected to be 400 million yen (up 15.8% year on year).

## II. Summary of Selected Financial Data (Consolidated)

	57th term Fiscal year ended December 31, 2019	58th term Fiscal year ended December 31, 2020	59th term Fiscal year ended December 31, 2021	60th term Fiscal year ended December 31, 2022	61st term Fiscal year ended December 31, 2023
Net sales (Thousands of yen)	8,605,330	10,152,040	10,203,319	10,604,143	10,587,126
Ordinary profit (Thousands of yen)	528,689	1,097,870	922,359	1,160,218	979,024
Net income attributable to owners of parent (Thousands of yen)	371,610	837,662	862,372	833,112	701,125
Comprehensive income (Thousands of yen)	347,796	795,514	874,788	1,003,939	756,831
Net assets (Thousands of yen)	9,796,310	10,465,670	11,113,114	11,818,745	12,352,350
Total assets (Thousands of yen)	18,338,348	19,004,153	19,600,131	20,568,000	20,817,046
Net assets per share (Yen)	1,956.95	2,090.67	2,220.01	2,392.01	2,499.09
Net income per share (Yen)	74.21	167.34	172.27	167.85	141.89
Net income per share, fully diluted (Yen)	—	—	—	—	—
Equity / Assets (%)	53.4	55.1	56.7	57.5	59.3
ROE (%)	3.83	8.27	7.99	7.27	5.80
Price earnings ratio (Times)	18.25	14.01	10.53	10.05	11.30
Net cash provided by operating activities (Thousands of yen)	1,749,796	1,373,326	655,476	618,952	1,081,743
Net cash provided by (used in) investing activities (Thousands of yen)	24,901	(606,278)	147,583	(184,203)	(206,254)
Net cash provided by (used in) financing activities (Thousands of yen)	(1,464,964)	(680,147)	(176,251)	(291,979)	(307,818)
Cash and cash equivalents at end of term (Thousands of yen)	1,492,229	1,564,925	2,187,870	2,386,383	2,978,794
Employees	282	320	297	307	287
[Separately, average number of temporary employees] (Persons)	[162]	[166]	[172]	[168]	[167]

- Notes:
1. Net income per share, fully diluted is not presented because there are no potential shares.
  2. The Company introduced “Stock Benefit Trust (BBT)” and “Stock Benefit Trust (J-ESOP).” The shares of the Company remaining in “Stock Benefit Trust (BBT)” and “Stock Benefit Trust (J-ESOP),” which are recorded as treasury stock in shareholders’ equity are included in the treasury stock not included in the calculation of the total number of issued and outstanding shares at the end of the term and the average number of shares during the term when calculating net assets per share and net income per share.
  3. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the current fiscal year. Key management indicators for the current fiscal year are figures after the retrospective application of these accounting standards.

### III. History

May, 1943	Koshinkai Kenkyujo was established.
February, 1952	Koshinkai Kenkyujo was converted to joint stock company.
December, 1963	Company's production and sales divisions spun off as independent operations; KOKEN LTD. was established and Hanno plant was established in Hanno City, Saitama Prefecture.
April, 1967	Hanno Laboratory was established in Hanno City, Saitama Prefecture.
December, 1968	Hoya plant was established in Hoya City (currently Nishitokyo City), Tokyo.
October, 1976	Ashio plant was established in Ashio-machi, Tochigi Prefecture.
January, 1977	Logistics center was established in Ninomiya-machi, Kanagawa Prefecture.
January, 1981	Koken Bosai System was established and sales of occupational safety and health-protection equipment and design and construction of fire-prevention equipment and workplace environment improvement equipment were transferred to this company.
December, 1984	Hoya plant was relocated to Tokorozawa City, Saitama Prefecture, and reestablished as Tokorozawa plant.
June, 1985	Koken completed the merger with Koshinkai Kenkyujo and Ninomiya Production Center.
December, 1986	Company's shares were registered with Japan Securities Dealers Association as OTC-traded stock issue.
July, 1987	Koken completed the merger with Koken Bosai System. Sayama Techno-Yard was established in Sayama City, Saitama Prefecture, and one portion of Hanno Techno-Yard was relocated to Sayama Techno-Yard. (Names of plants and factories were all changed to Techno-Yard.)
July, 1988	Second phase of Sayama Techno-Yard construction was completed, concluding relocation of Hanno Techno-Yard.
August, 1989	New head office building was constructed.
March, 1992	New research wing was constructed for Tokorozawa Laboratory.
December, 1997	Nakai Techno-Yard and Nakai Logistics Center were established in Nakai-machi, Kanagawa Prefecture. Ninomiya Techno-Yard and Ninomiya Logistics Center were integrated into newly established facilities of Nakai Techno-Yard and Nakai Logistics Center.
January, 1999	ISO 9001 certification was obtained by entire company (registered on inspection).
June, 1999	Gunma Techno-Yard was established in Kasakake-cho (currently Midori City), Gunma Prefecture.
January, 2002	ISO 14001 certification was obtained by Gunma Techno-Yard (registered on inspection).

June, 2003	ISO 14001 certification was obtained by Nakai Techno-Yard and Nakai Logistics Center (registered on inspection).
December, 2004	Registration for OTC trading with Japan Securities Dealers Association canceled; and shares were listed on the JASDAQ Securities Exchange.
May, 2005	ISO 14001 certification was obtained by Tokorozawa Techno-Yard (registered on inspection).
September, 2009	Saitama Logistics Center was established in Ranzan-machi, Saitama Prefecture. Nakai Logistics Center was integrated into newly established facilities of Saitama Logistics Center.
April, 2010	Company's shares were listed on JASDAQ-OSE integrated market after merger of JASDAQ Securities Exchange into Osaka Securities Exchange.
March, 2011	KOACH showroom was opened.
November, 2011	KOKEN Super Clean Technical Center was opened.
November, 2012	Overseas subsidiary SIAM KOKEN LTD. (currently consolidated subsidiary) was established in Chonburi Province, Thailand.
January, 2013	Ranzan Techno-Yard was established in Ranzan-machi, Saitama Prefecture.
July, 2013	Company's shares were listed on the JASDAQ Standard market following merger of the Osaka Securities Exchange with the Tokyo Stock Exchange.
June, 2015	Business operations were commenced at SIAM KOKEN LTD.
September, 2018	Advanced Technology Center was established in Hanno City, Saitama Prefecture.
April, 2022	Due to the revision concerning the market classification of the Tokyo Stock Exchange, the Company has transitioned from Tokyo Stock Exchange JASDAQ (Standard) to the Standard Market.
September, 2023	KOACH Kumamoto showroom was opened in Kumamoto-City, Kumamoto Prefecture.

## IV. Business Overview

### Clean Air Solutions

We manufacture and sell three types of clean zone creators as clean solutions.

#### Super Clean Zone Creator KOACH

Born from a completely new idea, **the super clean zone creator KOACH** helps realize quality improvement, yield improvement and cost reduction via high cleanliness and low power consumption.

The development engineers of KOACH received the Prime Minister's Award (top honor) in the 6th Monodzukuri Nippon Grand Awards in recognition of its unique features and substantial benefits.



#### Push-Pull Ventilation System KOKENLAMINAR

There are environments in factories and medical facilities that contain dust and gases harmful to humans.

We provide **the push-pull ventilation system KOKENLAMINAR**, which removes these harmful substances from the environment, to protect the health of workers and to create environments where workers can work comfortably.



#### Air Ventilation System as Contamination Source Control LAMIKOACH

**An air ventilation system as contamination source control LAMIKOACH**, which is a combination of KOACH and KOKENLAMINAR, is used when there is a dust generating factor inside a clean room that is intended to maintain a high level of cleanliness.

This system reliably captures contaminants generated inside a clean room to prevent them from spreading out in the whole clean room.





# Health Solutions

We are planning to expand business for the following products and devices as health solutions.

## Antibacterial Agent IMADEZE®

This is a copper-based lactate antibacterial agent we developed using a proprietary method for causing “copper” and “lactic acid” to react with one another.

We are planning business development as we seek fields that can make good use of its characteristics such as its superior antibacterial, mildew-resistant, and antiviral properties, as well as its high bio-safety and processability properties.



## Masks for Medical Facilities

In addition to pathogens (bacteria, viruses) that cause infectious diseases, there are chemical substances that are harmful to humans, such as disinfectants and sterilizing gases, in medical facilities.

We provide masks for medical facilities that protect the respiratory system from such pathogens and chemical substances.



## Masks for General Consumers

In recent years, events such as COVID-19 and PM 2.5, for which even the general public requires high performance masks, have been occurring frequently.

As a mask manufacturer that has been manufacturing and selling industrial masks for many years, we have been selling masks for general consumers that can be used safely and securely by the general public.



## Functional Water Production System

Functional water comes in various types, such as electrolyzed water, ozone water, hydrogen water, and magnetically treated water. We deal with electrolyzed water.

We sell electrolyzed water generators, endoscope washer/disinfector (medical equipment), blood stain washer kit and portable shower system for disinfection and decontamination that use electrolyzed water for washing and disinfecting.



# Safety Solutions

We manufacture and sell the following masks and protective gear as safety solutions.

## Industrial Masks

Improvement in working environment and the use of respiratory protective equipment (masks), as a measure to protect individual workers against exposure to hazardous substances are required to prevent the health hazards caused by toxic substances generated at factories and construction sites.

We manufacture and sell industrial masks such as dust masks and gas masks for a range of working environments with different types and concentrations of hazardous substances.



## Equipment for Accident and Disaster Countermeasures

In addition to fires and natural disasters, which can occur at any time, in recent years, there has been a social situation that requires preparation for large-scale chemical disasters, NBC (Nuclear, Biological or Chemical) terrorism incidents, etc. In such accidents and disasters, it is necessary to have equipment for accident and disaster countermeasures for different purposes, such as rescue teams heading to save lives, medical personnel treating victims, and local residents evacuating to safe places nearby.



## Masks for Medical Facilities

In addition to pathogens (bacteria, viruses) that cause infectious diseases, there are chemical substances that are harmful to humans, such as disinfectants and sterilizing gases, in medical facilities.

We provide masks for medical facilities that protect the respiratory system from such pathogens and chemical substances.



## Masks for General Consumers

In recent years, events such as COVID-19 and PM 2.5, for which even the general public requires high performance masks, have been occurring frequently.

As a mask manufacturer that has been manufacturing and selling industrial masks for many years, we have developed and been selling masks for general consumers that can be used safely and securely by the general public.



## Protective Clothes, Ear Plugs, Face Shields, etc.

In addition to respiratory protective equipment (masks), we also supply protective clothes to prevent skin disorders during chemical handling activities, ear plugs to prevent noise related disorders, and face shields to protect eyes and faces from flying objects, etc.



## V. Management Policy, Management Environment, Issues to be Addressed, Etc.

### (1) Basic policy of management

Management principles

- 1) Nurture people
- 2) Nurture technology
- 3) Nurture new markets in the fields of cleanliness, health, and safety

With “cleanliness, health and safety” as our business domains, the Group’s basic policy of corporate management is to supply products based on highly original technology and to contribute to society.

Based on this policy, with research and development aimed at developing “first-of-their-kind” and “truly useful” products as the starting point, our goal is not to be a “large company” but instead to be a “strong company,” in other words a “technology-driven company,” with “the only one, and the number one” technologies and products unique to the world that only the Company can create, even if we expand our scale slowly. Rather than capturing the “needs” of the market and our customers quickly, we will identify and commercialize “wants” of which our customers are not yet aware ahead of competitors, constantly aiming to create new markets.

To realize this goal, we call on all our employees to engage in “imagination” and “creation,” forms of human dignity. As a result, in our efforts to “never follow other companies” and “conduct thorough research,” we will continuously pursue new technological innovation and creative product development.

### (2) Corporate strategy and issues to be addressed

The Group is tackling respective corporate strategies and on-going issues based on management principles in order to realize further improvement of its corporate value and sustainable development and growth.

#### 1) “Nurture people”

We believe that a business has a corporate value only when it can strike a balance between the sense of purpose of employees and the existence of a business. In other words, when the dignity of employees is recognized in the company’s business activities, they feel a sense of happiness and fulfillment. Based on this belief, the Group designed our original HR policy called “HOPES (High-ideal, Open-minded Personal affairs by various Evaluation System),” which we have operated for over 20 years to develop our human resources.

“HOPES” is a human resource system that accepts diversity and evaluates and manages each and every employee independently from three perspectives: professional skill, ability to attain business performance, and management ability. The system provides opportunities for advancement for employees regardless of age, gender, or the number of years of services, constantly putting motivated employees in positions suitable for them. Furthermore, the Group has been promoting systematic, effective skills development by implementing internal training programs to improve employee’s professional knowledge and skills according to job classification.

#### 2) “Nurture technology”

Our philosophy of research and development, which has been carried down since the founding of the Group, is based on the concepts of “never follow other companies” and “conduct thorough research.” With the aim of thoroughly infusing this philosophy into each and every one of our technological development personnel, we have continued to operate mechanisms that are original to the Group. Such mechanisms include adopting a Meister system to evaluate improvement of technical expertise, holding monthly research presentations, which are attended by all technological development personnel and directors.

Our technological development personnel are assigned to Basic Research Laboratory, development divisions, other divisions, and Techno-Yards, where they each pursue free, independent technological development and focus on research and development with useful developmental applications for society.

Furthermore, the Group has established a matrix-based R&D structure that includes project teams to pursue development by development theme.

Through these initiatives, we have created successive products that are the only one, and the number one, and we own numerous intellectual property rights. Going forward, our most important theme is improving the quantity and quality and making better use of our intellectual property.

The technological development base, the Advanced Technology Center, is a place for technological

development personnel to gather and exchange knowledge to make large contributions to improving the Group's ability to "nurture technology." We will focus on enhancing the Center's presence as a hub to promote joint research and development with external organizations and companies.

3) "Nurture new markets in the fields of cleanliness, health, and safety"

The Group will create new markets and aim to grow sustainably as a company contributing to society by developing and selling "unique products" and "truly useful products," specializing in the three fields of "cleanliness, health, and safety," while evolving and developing the Group's original technologies.

<Cleanliness>

Against the background of the market's demand for higher quality due to technological progress, the existing technologies for clean devices are limited in response capabilities. Recently, an increasing number of customers request "ISO Class 1," the highest standard level of cleanliness, centered on the semiconductor field. The Group will contribute to solving various problems in the cleanliness market by disseminating KOACH, an open clean zone creator, which can realize "ISO Class 1."

<Health>

The Group will further expand the market share of anti-infection "Hi-Luck 350" N95 masks that were highly evaluated primarily by medical institutions for their overwhelming anti-infection functions in the COVID-19 pandemic. Moreover, the Group will strive to expand sales of high performance anti-infection products including "Hi-Luck Utsusanzo" droplet infection prevention masks.

We will strive to diffuse the endoscope washer/disinfectant "Kagami-Naishi II G," which gives endoscopy labs more room for inspection, work, and space while also providing safe and secure inspections for patients.

<Safety>

For industrial sites with a high market share, the Group will continue focusing on the development of masks to be used securely and with peace of mind such as the BL series of Breath Response Powered Air-Purifying Respirators to protect workers and the Hi-Luck series disposable dust masks with excellent features.

Moreover, for the revisions of laws, regulations and rules made by the Ministry of Health, Labour and Welfare, the Group will provide accurate information in a timely manner and supply appropriate respiratory protective equipment to further improve the trust of the market.

(3) Management environment and priority issues to be addressed

1) Cultivation and expansion of new businesses

The Group promotes initiatives to grow and expand the environment-related businesses centered on KOACH, an open clean zone creator.

Going forward, the Group will continue to actively invest in management resources to nurture these businesses as the second pillar following the mask-related businesses.

2) Response to the revisions of laws, regulations and rules made by the Ministry of Health, Labour and Welfare

In response to the revisions of laws, regulations and rules currently being made by the Ministry of Health, Labour and Welfare regarding worksites with dust, welding work, hazardous gas, etc., the Group will meet requests for safety measures from the market by continuing dissemination of information to business sites and education of workers, as well as developing and supplying highly safe and easy-to-use products as the leading manufacturer of industrial masks.

3) Response to the prices of raw materials staying high

As raw material costs and logistics prices stay high due to the rise of global inflation and heightened geopolitical risks, the Group's business performance may continue to be affected.

Under these circumstances, the Group continues taking cost-cutting measures including improvement in production efficiency by enhancing production technology and reduction of expenses to minimize their impact.

(4) Target performance benchmarks

The Group values both solidity and growth, aiming for stable corporate earnings growth.

Even amid a challenging economic environment, the Group will always strive to improve productivity while

responding flexibly to changes in the market and increasing our market share, and as a result, will work to expand our operating income and operating margin.

[Approach and initiatives for sustainability]

It is the business purpose of the Group to contribute to society through cleanliness, health and safety by realizing the three management principles of “nurture people,” “nurture technology,” and “nurture new markets in the fields of cleanliness, health, and safety,” which is consistent with the approach to sustainability. Accordingly, it is an important element of management strategy to deal with issues of sustainability, for whose solution and improvement the Group is taking various initiatives.

(1) Governance

The Group’s corporate governance structures are as described in “IX. Corporate Governance.” For the response to sustainability-related risks and opportunities, the Group also operates under these structures with the Board of Directors as the final decision-making body.

(2) Development of human resources and human resource utilization

Recognizing the need of diversified human resources and organizations, the Group calls on all its employees to engage in “imagination” and “creation,” forms of human dignity, to the maximum extent in all situations and opportunities.

(Human resource system)

The Group’s original HR policy called “HOPES (High-ideal, Open-minded Personal affairs by various Evaluation Systems)” is a human resource system that accepts diversity and evaluates and manages each and every employee independently from three perspectives: professional skill, ability to attain business performance, and management ability. The system provides opportunities for advancement for employees regardless of age, gender, or the number of years of service, constantly putting motivated employees in positions suitable for them. Furthermore, the Group has been engaged in creating workplaces where different generations can mutually play active roles, by aggressively recruiting employees with diversified experience, abilities and values, as well as placing senior generations in positions where they can utilize their abilities and careers.

(Training system)

The Group conducts education, training and human resource development for the purpose of nurturing human resources with appropriate knowledge, skills, planning ability and judgment as full-fledged employees who have learned the philosophy of the Group by highlighting the potential of each and every employee through the systematic learning of necessary knowledge and skills to help run the company.

- training of employees by grade
- training of employees by area of expertise

(Meister system)

In the business of the Company, we operate the Meister system linked to the personnel management system which treats employees according to their acquired expertise. Specifically, it is a system to give employees, who have completed unique internal training for each job and acquired prescribed external qualifications, a title for each stage and adds allowances to their salaries.

(Issues for human resource utilization, etc.)

It is an essential element for the growth of the company that each and every employee utilizes their abilities to expand their fields of activity, which the Group stipulates in “HOPES” to actively promote motivated human resources.

Under these circumstances, we recognize it is an issue in the Group that there are currently few female managers. Since this is partly due to the relatively low number of women hired, we have set a target of 30% or higher for the ratio of women hired. Moreover, we have been promoting the nurturing of next generation leaders in consideration of women’s career development and life cycle, such as creating an environment where they can return to their job and play active roles again after experiencing childbirth or childcare leave.

Furthermore, we are making efforts targeting the taking of paid leave of 60% or more, based on the idea that

it is essential to develop and improve the workplace environment that contributes to the enhancement of employees' motivation for work and the balancing of work life and family life. For the way of working, we will continue striving to create a vibrant workplace environment by testing and verifying flexible responses individually.

(3) Risk management

Based on the risk management system described in “IX. Corporate Governance,” the Group manages risks including matters concerning sustainability. Specifically, it is as described in “VI. Business and Other Risk.”

(4) Targets and results

For human resource management, the Company grasps and analyzes progress and achievements using the following indicators. The targets and results of such indicators are as follows. (Planning period: April 1, 2021-March 31, 2026)

1) Provide female workers with opportunities for working life

Target: 30% or more for the ratio of women in workers hired

Fiscal year	Result	Number of workers hired	Of which women workers
2021	9.1%	11	1
2022	13.3%	15	2
2023	16.7%	18	3

2) Develop an employment environment that contributes to the balancing of work life and family life

Target: 60% or more for the acquisition rate of paid leave

Fiscal year	Result	Yearly average number of paid leave per a worker
2021	60.4%	11.1 days
2022	63.2%	11.4 days
2023	65.3%	11.8 days

\*Supplementary explanation

Part-timers are not included in the target employees for 1) and 2).

## VI. Business and Other Risk

Of the items related to the business conditions, accounting conditions, and other conditions listed in the securities report, the main risk recognized by the management that could materially affect the financial condition, results of operation, and cash flow of the company submitting the securities report are described.

Based on a thorough recognition of the possibility of these risks occurring, the Group is working to avoid and limit their occurrence and to respond immediately if they occur.

Note that matters relating to the future contained in the text below were determined by the Group as of this document's submission date.

### (1) Research and development

As a research and development oriented company, the Group has invested management resources with the objective of supplying highly innovative products related to "cleanliness, health, and safety" to the market, but all research and development do not necessarily lead to the development of new products or to growth in earnings, and thus the Group's business performance may be affected if it is forced to stop research and development due to any of a variety of circumstances.

The Group has a matrix-type R&D system, where technological development personnel, assigned to each of 1) fundamental research laboratories (R&D hubs pursuing technological innovation, 2) development divisions (design hubs to realize wants), 3) divisions (hubs to discovery customers' wants), and 4) Techno-Yards (manufacturing hubs that produce high-value-added products), organize a project team that spans multiple divisions and departments for each development theme. By establishing the system, we will continue to take measures to identify and minimize development risks in order to develop new products that combine novelty, marketability and profitability.

### (2) Intellectual property

The Group has already taken necessary intellectual property protection procedures for product development based on its highly original technology, and holds a large number of intellectual property rights such as patents. There is, however, a limit to protecting our unique technology only by legal restrictions. If a third party manufactures or sells imitations or similar products using our intellectual property, we may not be able to make the expected profits. Furthermore, regardless of the Group's intentions, if the Group's products violate third parties' intellectual property rights, the Group could receive claims for compensation for damages. If such an event were to occur, it could affect the Group's business performance.

To avoid these risks, the Group will continue to manage our intellectual property rights carefully.

### (3) Legal restrictions

The Group's business is related to various laws and regulations, such as the "Industrial Safety and Health Act," the "Pharmaceuticals and Medical Devices Act" and the "Product Liability Act."

Should an event occur where we were found not in compliance with these laws and regulations, this could place limits on the businesses the Group pursues, and lead to recalls of its products. Furthermore, if new laws and regulations are established or revised, this will give rise to new costs, like new capital expenditures, which could have an impact on the Group's business performance.

In addition to collecting information on the amendment and abolition of these laws and regulations, the Group is working to strengthen its compliance system and internal controls to comply with laws and regulations.

### (4) Quality assurance and quality control

In addition to the assumption that they will be used in harsh environments, because the Group's products are required to be highly durable and reliable for the purpose of protecting the safety and health of their users, the Group is maintaining and strengthening a thorough quality assurance and management system. However, in the unlikely event that we receive indications of nonconformity via the Ministry of Health, Labour and Welfare's respiratory protective equipment test purchases for an unexpected reason, if product defect or failure occurs, etc., the Group's business performance could be affected by recall and repair expenses, and other such burdens.

In response to these risks, in the development phase, the Group uses validation sites at its Advanced Technology Center to perform reliability testing that replicates the actual environment in which the product will be used. To ensure the quality of the products developed through this reliability testing, the Group has established the Quality Assurance Office, which acts as an independent department focused on quality under the direct supervision of the president. The Group has also established a thorough quality assurance system by creating and maintaining a quality management system that is based on ISO 9001. Furthermore, the Quality Assurance Office assigns product inspectors to each Techno-Yard (manufacturing base) to monitor the manufacturing and inspection processes at these Techno-Yards. These Techno-Yards manufacture products according to the Japanese Industrial Standards, the national examination standards set by the Ministry of Health, Labour and Welfare, and the Group's own strict quality assurance and quality control standards.

(5) Impact on production by disasters, infectious diseases, etc.

The Techno-Yards, which represent the Group's manufacturing base, undergo surveys for earthquake risks, based on which they endeavor to build systems that enable production to resume without disruption even in the event of an earthquake. However, the occurrence of an event that interferes with the continuation of business activities, which, for example, suppresses production activities, etc. such as a large-scale earthquake with an epicenter in the vicinity of a base of operation, a typhoon or other natural disaster, other unexpected accident, or the spread of an infectious disease could affect the Group's business performance.

(6) Environmental issues

The Group is implementing measures to clean up the soil and groundwater contamination caused by trichloroethylene, which has occurred to date at a total of two of the Group's old laboratories and Techno-Yards. However, it is difficult at present to predict when the cleanup process will be complete, and thus, if the decontamination measures take a long time, the costs related to the measures could have an impact on the Group's business performance. While ascertaining the decontamination standards established by laws and regulations and ordinances, we will continue our decontamination measures.

(7) Information security

The Group possesses a large amount of confidential information relating to business execution, such as information related to technology, sales and other business. As measures to prevent this information from being leaked, based on our basic rules for information systems management, the ICT management section, a dedicated division responsible for overall information and communication systems operation within the Administration Headquarters, plays a central role. The ICT management section implements measures on a facility and organizational level including concentrated network management (integrated threat management), security education and training such as targeted email training for all employees, and monitoring of the handling of information. We also implement third-party security checks (vulnerability diagnoses using simulated, external attacks). Regarding the appropriate protection of personal information, the Group has built and properly operates a management system based on the Act on the Protection of Personal Information, personal information management regulations, and My Number information management regulations.

(8) Internal controls

The Group strives to enhance its internal control systems with respect to business effectiveness and efficiency, reliable financial reporting, compliance with laws and regulations, etc. related to business activities, and asset conservation. However, these internal control systems have their limits, to some degree and thus if events should occur that are outside the scope presumed by the created internal control systems, such events could have an impact on the Group's business performance.

To prevent these risks from occurring, we will continue our constant evaluations and reviews to strengthen our internal control systems.

(9) Overseas subsidiaries

SIAM KOKEN LTD., which was established in Thailand as a production subsidiary, continues to steadily manufacture masks and contributes to the Group's profit growth. However, should unpredicted events occur due to political and social circumstances or legal restrictions in Thailand or due to trends in foreign exchange



rates, etc., or otherwise if a natural disaster strikes or an infectious disease spreads, such events could have an impact on the Group's business performance.

SIAM KOKEN LTD. has exported all the disposable dust masks (including N95 masks) produced by SIAM KOKEN to Japan, but with the outbreak of COVID-19, the Thai government took measures to stop those exports (the measures were later lifted) in 2020. If similar export restrictions are again enacted due to the outbreak of an infectious disease, it could have an impact on the Group's business performance.

Furthermore, in response to increased demand for anti-infection masks and these risks in overseas production, the Group is currently working to increase our domestic production facilities for disposable dust masks and to expand our total production volume.

(10) Impact of conflicts and political uncertainty in Eastern Europe and the Middle East

If military conflicts in the world intensify and spread, not only the risk of the prices of raw materials staying high due to the surge in the oil prices, but also risks such as heightened geopolitical risks and the acceleration of global inflation will become more apparent, and may affect the Group's business performance more than before.

## VII. Analysis Regarding Status of Financial Position, Operations, and Cash Flows by Management

The recognition, and analysis and discussion of the status of the Group's results of operations and others from a management's perspective are as follows.

### 1) Recognition, and analysis and discussion regarding status of financial condition, results of operations, and others

(Analysis of results of operations)

In the fiscal year under review, net sales were 10,587 million yen (a decrease of 0.2% over the previous fiscal year), operating income was 1,007 million yen (a decrease of 14.9% over the previous fiscal year), ordinary profit was 979 million yen (a decrease of 15.6% over the previous fiscal year), and net income attributable to owners of parent was 701 million yen (a decrease of 15.8% over the previous fiscal year).

#### a. Net sales

Net sales were 10,587 million yen (a decrease of 0.2% over the previous fiscal year). For details on net sales, please refer to "XVI. Status of Business, [Overview of business performance, etc.], Business performance."

#### b. Cost of goods sold

Cost of goods sold was 5,747 million yen (an increase of 2.4% over the previous fiscal year). Although we tried to lower the cost-to-sales ratio by reducing expenses and improving manufacturing technology for the whole Group against the rise in raw material prices, logistics costs, etc., it was not enough to completely cover the increase in costs, resulting in a cost-to-sales ratio of 54.3%, up 1.4 percentage points from 52.9% in the previous fiscal year.

#### c. Selling, general and administrative expenses

Selling, general and administrative expenses were 3,832 million yen, an increase of 0.6% from the previous fiscal year (3,808 million yen in the previous fiscal year), mainly due to an increase in salaries. The ratio of selling, general and administrative expenses to net sales was 36.2%, up 0.3 percentage points from 35.9% in the previous fiscal year.

#### d. Operating income

Operating income was 1,007 million yen, a decrease of 176 million yen from the previous fiscal year. The operating income margin was 9.5%, down 1.7 percentage points from 11.2% in the previous fiscal year.

#### e. Nonoperating income and expenses

Nonoperating income was 31 million yen, a decrease of 18 million yen over the previous fiscal year.

Nonoperating expenses were 60 million yen, a decrease of 14 million yen from the previous fiscal year.

#### f. Ordinary profit

Ordinary profit was 979 million yen, a decrease of 181 million yen from the previous fiscal year.

#### g. Extraordinary income and losses

No extraordinary income was recorded in the current fiscal year. Extraordinary losses were 0 million yen, due to loss on sale and retirement of fixed assets of less than one million yen as in the previous fiscal year.

As a result, net income attributable to owners of parent was 701 million yen, a decrease of 131 million yen from the previous fiscal year.

(Analysis of financial condition)

#### a. Total assets

Total assets amounted to 20,817 million yen, an increase of 249 million yen compared to December 31, 2022.

b. Current assets

Current assets amounted to 9,778 million yen, an increase of 528 million yen compared to December 31, 2022. The major factor contributing to the result was an increase of 592 million yen in cash and deposits.

c. Fixed assets

Fixed assets amounted to 11,038 million yen, a decrease of 279 million yen compared to December 31, 2022. The major factor contributing to the result was a decrease of 134 million yen in buildings and structures, and a decrease of 77 million yen in machinery, equipment and vehicles.

d. Liabilities

Current liabilities amounted to 4,322 million yen, a decrease of 88 million yen compared to December 31, 2022. The major factor contributing to the result was an increase of 254 million yen in current portion of long-term debt, and a decrease of 164 million yen in income taxes payable.

Long-term liabilities amounted to 4,142 million yen, a decrease of 196 million yen compared to December 31, 2022. The major factor contributing to the result was a decrease of 204 million in long-term debt.

e. Net assets

Net assets amounted to 12,352 million yen, an increase of 533 million yen compared to December 31, 2022. The major factor contributing to the result was an increase of 474 million yen in retained earnings.

As a result, shareholders' equity ratio was 59.3% compared to 57.5% as of December 31, 2022.

2) Analysis and considerations of status of cash flows and information on capital sources and liquidity of funds

a. Cash flow position

Cash flow from operating activities: Funds provided by operating activities were 1,081 million yen, an increase of 462 million yen over the previous fiscal year. This was due mainly to an increase of 126 million yen in income taxes and others, a decrease of 384 million yen in notes and accounts receivable, a decrease of 709 million yen in inventory, and a decrease of 181 million yen in net income before taxes and other adjustments.

Cash flow from investing activities: Funds used in investing activities were 206 million yen, a decrease of 22 million yen over the previous fiscal year. This was due mainly to an increase of 27 million yen in payments for acquisition of tangible fixed assets.

Cash flow from financing activities: Funds used in financing activities were 307 million yen, a decrease of 15 million yen over the previous fiscal year. This was due mainly to an increase of 116 million yen in payments of long-term debt and a decrease of 173 million yen in purchase of treasury stock.

b. Demand for funds

Main items of demand for working capital included purchases of raw materials and supplies, manufacturing and operating expenses, and payment of income taxes. Main items of fund demand for investment were capital expenditures in mechanical equipment, and tools, instruments and fixtures, etc.

c. Financial policy

The Group follows a basic policy of stably procuring the sources of funds that can respond to capital requirements to conduct flexible capital expenditures while securing the liquidity needed for regular business operations.

As for working capital and funds for capital expenditures, the Group uses its own funds and, as needed, raise funds by loans from financial institutions.

As of December 31, 2023, the balance of outstanding interest-bearing debt, including loans and lease obligations, was 6,049 million yen, and that of cash and cash equivalents was 2,978 million yen.

## VIII. Research and Development

The Company is committed to research and development in its business domains of, “cleanliness, health, and safety.” It pursues development of original, creative technologies as well as versatile applications that employ them. A matrix-based R&D structure has been established that includes project teams for basic research on future technologies and project teams for application development. We have a research and development staff of 73, and our research and development expenses during the fiscal year under review amounted to 757 million yen.

The main products developed and launched for the fiscal year under review are as follows.

### (1) Sampling Fit Test Adapter

We have commercialized the sampling adapter for quantitative fit testing using a measuring device in line with mandatory fit testing.

- Fit test adapter FTA-1 (applicable masks: dust masks 1080 series, gas masks G-7 series)
- Fit test adapter FTA-2 (applicable masks: powered air-purifying respirators BL-321 series/351 series)
- Fit test adapter FTA-3 (applicable masks: dust masks 1122R/1121 series, 1191 series)
- Fit test adapter FTA-4 (applicable masks: dust masks 1111)
- Fit test adapter FTA-5 (applicable masks: dust masks 1181 series, gas masks GW-7)
- Fit test adapter FTA-6 (applicable masks: dust and gas masks 7121 series/7191 series, dust masks 1100 series, gas masks 1151 series)
- Fit test adapter FTA-7 (applicable masks: powered air-purifying respirators BL-100 series/BL-200 series)

## IX. Corporate Governance

### (1) Overview of corporate governance

#### 1) Basic approach to corporate governance

In order to achieve sustainable growth and increase its medium to long-term corporate value, the Company has established a corporate governance system with clarified responsibility and is working on maintaining a sound corporate entity that can respond quickly to management environment changes while keeping transparency and fairness.

#### 2) Description of the corporate governance system and reasons for adopting the system

##### a. Basic description of the Company's organization

- As a company with a Board of Corporate Auditors, the Company has appointed nine directors (of which, one is an outside director) and four corporate auditors (of which, two are outside corporate auditors). The Company has also introduced an executive officer system with the aim of strengthening functions and clarifying executive responsibilities by separating the Company's decision-making and business execution functions. Actual business execution is performed via a five headquarter system consisting of the Administration Headquarters, Marketing Headquarters, Sales Headquarters, Engineering Headquarters, and Manufacturing Headquarters. Each headquarters has an organizational structure where a chief of the headquarters apportions and enforces work responsibilities, and where check functions are in place for each of these responsibilities.

##### (Board of Directors)

- As the primary decision-making body of the Group, the Board of Directors consists of the chairman and eight (8) other members, nine (9) in total, as follows, and meets once a month, in principle, in accordance with the regulations of the Board of Directors. It deliberates on important matters relevant to managing business execution, makes decisions in that regard, and oversees the execution of business. Furthermore, the system allows for meetings on an ad hoc basis to enable the Board to respond to issues quickly. The Company believes that attendance of corporate auditors including outside corporate auditors at every meeting of the Board of Directors helps ensure that, from the perspective of a highly independent third party, oversight and audit of decision making and business execution is carried out properly.

<b>Chairmanship</b>	Masakazu Sakai	Representative Director, Chairman
<b>Members</b>	Tsutomu Murakawa	Representative Director, President
	Nobuya Horiguchi	Representative Director, Executive Vice President
	Mitsuji Muramatsu	Senior Managing Director
	Fumikazu Tanaka	Senior Managing Director
	Hideaki Ibata	Managing Director
	Toshiaki Nagasaka	Director
	Hiroyuki Sakai	Director, Advisor
	Shinobu Sakurai	Outside Director

##### (Senior Management Meeting)

- Held once a month, Senior Management Meeting is chaired by the Representative Director, President and its membership consists of the officers, chief of the headquarters and department heads. The meetings are held with the aims of communicating intentions of management as deliberated and decided by the Board of Directors, having each division and each sales office give reports to gain an understanding of the status of work in each department and any problems therewith, and discussing and deciding on countermeasures.

(Board of Corporate Auditors)

- The Board of Corporate Auditors consists of four (4) people, a chairman and three (3) other members, and makes decisions on matters such as audit policy, audit plans, audit methodology, and assignment of audit work.

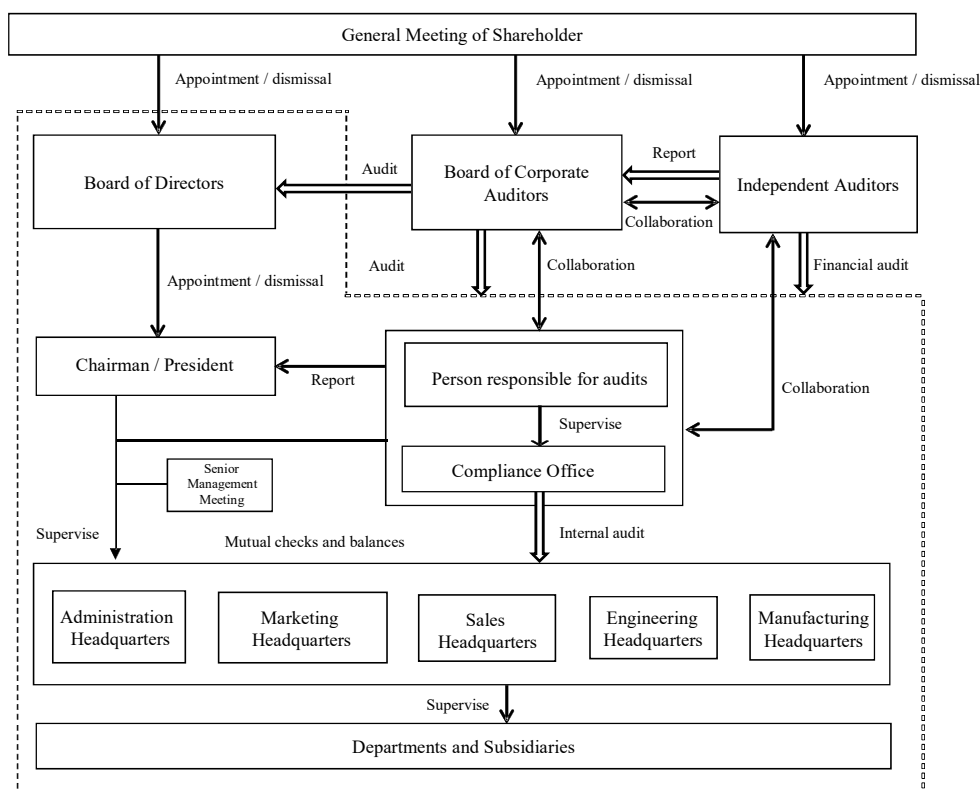
<b>Chairmanship</b>	Toshio Akiyama	Standing Corporate Auditor
<b>Members</b>	Yoshihiro Ito	Standing Corporate Auditor
	Teruo Shinato	Outside Corporate Auditor
	Nikko Haku	Outside Corporate Auditor

b. Reasons for adopting the structures

The Company has appointed one outside director and two outside corporate auditors who supervise the execution of duties by directors from an objective point of view outside the Company. The outside director and outside corporate auditors each have high levels of expertise and precisely carry out managerial oversight from the perspective of such expertise. Neither the outside director nor outside corporate auditors pose cause for concern with respect to potential conflict of interest with general shareholders of the Company in terms of relationships with the Company, neither personal, capital, transactional nor interests otherwise. As such, the Company designates them as independent officers pursuant to rules of the Tokyo Stock Exchange, and has accordingly furnished notification thereof to the Tokyo Stock Exchange.

Through these corporate governance structures, we have determined that a system is in place that functions adequately in terms of management supervision functions.

A schematic diagram for describing the Company’s corporate governance structures is as follows.



3) Other matters relevant to corporate governance

a. Status of maintaining internal control systems

The Company builds systems for ensuring effectiveness and appropriateness of business affairs, premised on the following Basic Policy for Building Internal Control Systems, as approved by the

Company's Board of Directors.

- i) Systems for ensuring that directors and employees perform their professional duties in compliance with laws, regulations and the articles of incorporation

The Company and its subsidiaries deem that important professional duties of the respective department heads of each department and subsidiaries are to involve reviewing various regulations upon holding regular reviews to determine whether the various regulations conform to the actual circumstances of management, and are also to involve monitoring business execution and thorough implementation in compliance with laws, regulations and the various regulations. Furthermore, to execute business in accordance with the compliance regulations, the Company performs checks with respect to compliance with corresponding laws, regulations and various internal regulations, and also implements relevant education and training of officers and employees.

The Company and its subsidiaries adopt systems for promptly assessing and swiftly taking corrective action in addressing compliance infractions. Accordingly, the Company maintains and operates the KOKEN Compliance Help Line which acts as an in-house system for internal reporting.

As a member of society, the Company and its subsidiaries have no relationships with antisocial forces or other organizations that pose a threat to the order and safety of civil society, and all members of the Company and its subsidiaries will respond with a resolute and consistent attitude.

- ii) Systems for retaining and managing information pertaining to directors' performance of their professional duties

The Company and its subsidiaries retain and manage information in accordance with document management regulations and confidential information management regulations, and accordingly adopt systems for appropriately disclosing such information to parties who need it to perform professional duties.

The Company and its subsidiaries also strive to maintain and strengthen information management systems that are focused also on education and audit systems with respect to the aim of properly addressing risks of leaking confidential information, personal information, insider information and other such information.

- iii) Regulations and systems for managing risk of loss

The Company and its subsidiaries adopt systems whereby the Administration Headquarters, Marketing Headquarters, Sales Headquarters, Engineering Headquarters, Manufacturing Headquarters, and subsidiaries control the risks of each of their own departments while they simultaneously check each other. In regard to the status of business execution in that regard, the Company and its subsidiaries perform business audits in accordance with internal auditing regulations, and in particular perform product checks in accordance with quality assurance audits. Through these systems, such results are reported to the president, and remedial measures are taken as necessary.

Risk management for the Company and its subsidiaries as a whole falls under the supervision of the executive officer in charge of internal controls, who promotes the maintenance of necessary regulations and works to maintain risk management systems that are able to reduce assumed risks and respond to emergency situations.

- iv) Systems for ensuring that directors perform their professional duties effectively

The Company and its subsidiaries hold meetings of the Board of Directors once per month, in principle, to make decisions on important management issues and supervise execution of them.

The Company holds sessions of the Senior Management Meeting, which consists of directors, senior managers, and corporate auditors, once per month for purposes of communicating intentions of management, gaining an understanding of the status of work in each department and subsidiary and problems therewith, and discussing countermeasures.

In addition, continuous improvement in the execution of directors' duties is ensured under the annual budget system. This involves executing budgets in accordance with implementation plans that are based on business targets and quality targets formulated by each department and subsidiary; regularly reporting progress made in achieving targets and status thereof to the president; and, as necessary checking the effectiveness of plans, various internal regulations, and other such systems.

The Company has also introduced an executive officer system with the aim of strengthening functions and clarifying executive responsibilities by separating the Company's decision-making and business execution functions.

- v) Systems for ensuring appropriateness of business affairs of the Group which consists of the Company and its subsidiaries

The Company and its subsidiaries share the "philosophy of the Company" as the philosophy of the Group as a whole, and efforts are made to build, and as necessary manage, compliance systems and risk management systems that are geared toward realizing this philosophy. The Company requests reports from subsidiaries regarding matters specified in the overseas subsidiary management regulations to ensure the appropriateness and efficiency of decision making and business execution by subsidiaries.

- vi) Systems involving employees who assist corporate auditors with their professional duties upon request made by a corporate auditor

The Company endeavors to assign employees to act as assistants to the Board of Corporate Auditors upon request made by a corporate auditor seeking assistance with audit affairs. Appointments of employees assigned such tasks are to be decided upon consultation between directors and corporate auditors.

- vii) Matters involving independence of employees described in the preceding item from directors, and matters that involve ensuring effectiveness of instruction furnished to such employees

The authority to supervise and instruct any such employee resides with the corporate auditors upon such employee having been assigned to act as an assistant to the Board of Corporate Auditors. In addition, the corporate auditors carry out personnel evaluations with respect to such employees and decisions on staff reassignments are made upon consultation between directors and corporate auditors.

- viii) Systems for enabling reporting to corporate auditors, and systems for ensuring that parties who have reported are not subject to disadvantageous treatment as a consequence of having furnished such report

At meetings of the Company's Board of Directors and sessions of its Senior Management Meeting, directors and employees of the Company and its subsidiaries report to the corporate auditors with respect to status of business execution, issues constituting risk, and countermeasures in that regard. In addition to the aforementioned, the Company has also adopted a system that enables reporting to the corporate auditors upon having established a point of contact for reporting to and consultation with standing corporate auditors under its KOKEN Compliance Help Line internal reporting framework. The Company's compliance regulations prohibit acts that subject a party who has furnished such reports to disadvantageous treatment as a consequence of having furnished such report.

- ix) Procedures for arranging upfront payment or reimbursement of expenses incurred by corporate auditors with respect to performance of their professional duties, and matters regarding policy that pertains to handling expenses and financial obligations otherwise incurred with respect to such performance of professional duties

When a corporate auditor makes a request seeking, for instance, upfront payment for expenses incurred by the corporate auditor to perform his or her professional duties, the Company is to promptly address the request unless it has been deemed that the upfront payment or expense is unnecessary with respect enabling the corporate auditor to perform his or her professional duties.

- x) Other systems for ensuring that corporate auditors perform audits effectively

The Board of Corporate Auditors regularly holds meetings to facilitate exchange of opinion between the representative directors and corporate auditors with the aim of ensuring that the corporate auditors perform audits effectively.

- b. General situation of the content of limited liability agreements

The Company has entered into agreements with Outside Director Shinobu Sakurai, Outside Corporate



Auditor Teruo Shinato, and Outside Corporate Auditor Nikko Haku that limit their liability for damages as stipulated under Article 423, paragraph 1 of the Companies Act, pursuant to provisions of Article 427, paragraph 1 of said act. Under these agreements, the maximum amount of liability for damages is the minimum liability amount stipulated in laws and regulations. Such limitations of liability are applicable only under circumstances whereby the professional duties which caused the liability were performed by the outside director or outside corporate auditor in good faith and without gross negligence.

c. Summary of the content of the officers, etc., indemnification insurance policy

We have concluded the officers, etc., indemnification insurance policy stipulated in Article 430-3, paragraph 1 of the Companies Act, to indemnify damages that may be incurred due to the responsibilities for the execution of duties by the insured or claims for pursuing such responsibilities.

Those insured by the officers, etc., indemnification insurance policy include the Company's directors, corporate auditors and executive officers, all of whose insurance premiums are paid by the Company; provided, however, that there are grounds for exemption that damages caused intentionally or by gross negligence shall not be indemnified.

d. Number of directors and term of office

The Articles of Incorporation stipulate that the Company may have no more than 15 directors, and that their terms of office are to extend up until the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ending within two years subsequent to a director's appointment; and that the term of office of a director who is appointed to fill a vacancy or due to an increase in the number of directors is to extend for the remainder of the term of office of the other incumbent directors.

e. Requirements for resolving the election of directors

The Company has stipulated in its articles of incorporation that resolutions for electing directors shall be attended by the shareholders holding at least 1/3 of the voting rights of the shareholders who can exercise their voting rights, and shall be resolved by a majority of said voting rights. The Company has also stipulated in its articles of incorporation that directors shall not be elected based on cumulative voting.

f. Institutions for determining interim dividends

The Company has stipulated in its articles of incorporation that interim dividends from retained earnings set forth in Article 454, paragraph 5 of the Companies Act may be executed by resolution of the Board of Directors without resolutions by the General Meeting of Shareholders, unless otherwise stipulated in laws and regulations. This is for the purpose of providing a flexible return of profits to shareholders by setting interim dividends from retained earnings under the authority of the Board of Directors.

g. Acquisition of treasury stock

The articles of incorporation stipulate that "the Company may acquire treasury stock through market transactions, etc. by resolution of the Board of Directors." This is aimed at acquiring treasury stock through market transaction, etc. in order to carry out agile capital policies that respond to changes in the business environment.

h. Requirements for special resolutions at General Meetings of Shareholders

The Company has stipulated in its Articles of Incorporation that "resolutions set forth in Article 309, paragraph 2 of the Companies Act shall be attended by at least 1/3 of the shareholders who can exercise their voting rights, and shall be resolved by at least 2/3 of said voting rights." This is for the purpose of conducting General Meetings of Shareholders smoothly by relaxing quorums needed for special resolutions at General Meetings of Shareholders.

i. Activity status of the Board of Directors

(Members and attendance for the fiscal year under review)

Name	Job title	Attendance in meetings (total 10 times)
Masakazu Sakai	Representative Director, Chairman	9
Tsutomu Murakawa	Representative Director, President	10
Nobuya Horiguchi	Representative Director, Executive Vice President	10
Mitsuji Muramatsu	Senior Managing Director	10
Fumikazu Tanaka	Senior Managing Director	10
Hideaki Ibata	Managing Director	10
Toshiaki Nagasaka	Director	10
Hiroyuki Sakai	Director, Advisor	10
Shinobu Sakurai	Outside Director	10

- We have made five resolutions in writing which are deemed to have been made by the resolution of the Board of Directors in accordance with the provisions of Article 370 of the Companies Act and Article 30 of the Company's Articles of Incorporation.

(Specific matters considered)

- Important management issues including matters concerning the management plan, plan for funding, and capital investment
- Operating results and financial position
- Matters concerning internal control
- Matters concerning organizations and personnel affairs
- Establishment, revision and abolishment of important rules

j. Status of efforts to implement the Company's corporate governance of the past year

(i) Performance of professional duties by the directors and corporate auditors

During the fiscal year under review, meetings of the Board of Directors were held 10 times and sessions of the Senior Management Meeting were held 11 times. Also attended by corporate auditors, these meetings provided a forum for making decisions on important management issues and supervising business execution. Furthermore, in addition to holding meetings of the Board of Directors, based on Article 370 of the Companies Act and Article 30 of the Company's Articles of Incorporation, there were five written resolutions that are considered resolutions by the Board of Directors.

The corporate auditors held audit report meetings for the directors to facilitate exchange of opinions.

(ii) Compliance systems and risk management

In order to ensure compliance with corresponding laws, regulations, and various internal regulations, the Company performed internal audits for five business audits, 23 quality assurance audits, seven safety and health audits, and five environmental audits in the current fiscal year. We are striving for compliance through internal education and training programs.

Under systems for managing risk of loss, the directors of each of the five headquarters of operating groups essentially conduct a meeting every day where they share information on risk.

The Company ensures that it is possible to adequately apply its various internal regulations by continually subjecting such regulations to revision and reviewing all the regulations once a year.

The Company strives to prevent leakage of confidential, personal, and insider information by maintaining and applying its document management regulations, confidential information management regulations, personal information management regulations, regulations on preventing insider trading, and My Number information management regulations.

The Company addresses risks of information leakage by regularly checking all personal computers that are used for business.

The Company maintains and operates its KOKEN Compliance Help Line which serves as its internal reporting framework.

As countermeasures against antisocial forces, the Company checks the attributes of business partners as necessary, and introduces clauses for the exclusion of organized crime groups in documents such as contracts.

In the current fiscal year, the Company carried out its operations under the following measures to

prevent the spread of COVID-19.

- All employees and their family members were provided with Hi-Luck anti-infection masks, and thoroughly ensured them to wear the masks during work and commuting.
- In addition, we took measures against infection such as encouraging employees to wash their hands with strongly acidic electrolyzed water at each workplace.
- A telework system has been established to enable employees to work from home whenever possible, such as in cases where a family member has a fever.
- An online meeting system was utilized to avoid the risk of direct contact and travel.

In response to the reclassification of the COVID-19 infection as a Category V infectious disease, we revised the “Response policy for COVID-19” and returned to the operational system before the COVID-19 pandemic on December 1, 2023.

## (2) Status of Officers

## 1) List of Officers

Men: 12, Women: 1 (Percentage of women among officers: 7.7%)

Job title	Name	Date of birth	Career summary	Term of office	Number of shares owned (Thousands of shares)
Representative Director, Chairman	Masakazu Sakai	August 22, 1941	<p>Apr. 1964 Joined Renown Commerce Co., Ltd.</p> <p>Aug. 1967 Joined KOKEN LTD.</p> <p>Sept. 1967 Appointed as Director, General Manager of the Technology Department</p> <p>Jan. 1981 Appointed as Representative Director, President</p> <p>Mar. 2003 Appointed as Representative Director, President, Sakai Kosan Co., Ltd.</p> <p>Mar. 2003 Appointed as Representative Director, President, Sakai Tatemono Ltd. (current position)</p> <p>Mar. 2003 Appointed as Representative Director, Chairman (current position)</p> <p>May 2006 Chairman, Japan Safety Appliances Association</p> <p>Apr. 2015 Appointed as Councilor, Sakai CHS Foundation (current position)</p>	2 years from the Annual General Meeting of Shareholder held on March 27, 2024	591
Representative Director, President In charge of the Engineering Headquarters	Tsutomu Murakawa	January 8, 1966	<p>Apr. 1989 Joined KOKEN LTD.</p> <p>Sept. 1999 Head of the Quality Assurance Office</p> <p>Mar. 2002 Head of the Tokorozawa Techno-Yard</p> <p>Feb. 2007 Head of the Tokorozawa Techno-Yard and Overseas Division Manager</p> <p>Mar. 2008 Executive Officer, Head of the Tokorozawa Techno-Yard and Overseas Division Manager</p> <p>Jan. 2009 Executive Officer, Overseas Division Manager</p> <p>Mar. 2010 Appointed as Managing Director, in charge of the Engineering Headquarters, Overseas Division Manager</p> <p>Jul. 2013 Appointed as Senior Managing Director, in charge of the Engineering Headquarters, Overseas Division Manager</p> <p>Jan. 2014 Senior Managing Director, in charge of the Engineering Headquarters</p> <p>Mar. 2014 Appointed as Representative Director, President, in charge of the Engineering Headquarters (current position)</p> <p>Apr. 2015 Appointed as Director, Sakai CHS Foundation (current position)</p>	2 years from the Annual General Meeting of Shareholder held on March 27, 2024	10

Job title	Name	Date of birth	Career summary	Term of office	Number of shares owned (Thousands of shares)
Representative Director, Executive Vice President In charge of the Manufacturing Headquarters	Nobuya Horiguchi	August 28, 1958	Apr. 1982 Mar. 1998 Mar. 2008 Mar. 2010 Nov. 2012 Jul. 2013 Mar. 2014 Joined KOKEN LTD. Safety and Health Division Manager Executive Officer, Safety and Health Division Manager Appointed as Managing Director, in charge of the Manufacturing Headquarters Appointed as Representative Director, President, SIAM KOKEN LTD. (current position) Appointed as Senior Managing Director, in charge of the Manufacturing Headquarters Appointed as Representative Director, Executive Vice President, in charge of the Manufacturing Headquarters (current position)	2 years from the Annual General Meeting of Shareholder held on March 27, 2024	20
Senior Managing Director In charge of the Marketing Headquarters	Mitsuji Muramatsu	February 21, 1956	Apr. 1978 Apr. 2002 Feb. 2004 Feb. 2006 Mar. 2006 Mar. 2007 Mar. 2007 Mar. 2008 Mar. 2014 Mar. 2015 Joined the Fuji Bank, Ltd. (currently Mizuho Bank, Ltd.) Branch Manager of the Hongo Dori Branch, Mizuho Bank, Ltd. General Manager of the Osaka Public Affairs Department, Mizuho Bank, Ltd. Seconded to KOKEN LTD. Administration Headquarters Manager Joined KOKEN LTD. Appointed as Managing Director, Administration Headquarters Manager Managing Director, in charge of the Administration Headquarters Appointed as Senior Managing Director, in charge of the Administration Headquarters and in charge of the Marketing Headquarters Senior Managing Director, in charge of the Marketing Headquarters (current position)	2 years from the Annual General Meeting of Shareholder held on March 27, 2024	18
Senior Managing Director In charge of the Sales Headquarters	Fumikazu Tanaka	February 22, 1957	Apr. 1981 Oct. 1996 Oct. 2003 Mar. 2008 Apr. 2008 Apr. 2011 Mar. 2012 Mar. 2014 Joined KOKEN LTD. Life Safety Division Manager General Manager of the Western Japan Block Executive Officer, General Manager of the Western Japan Block Executive Officer, General Manager of the Sales Management Department and General Manager of the Eastern Japan 2nd Block Executive Officer, Deputy Sales Headquarters Manager and General Manager of the Sales Management Department Appointed as Managing Director, in charge of the Sales Headquarters Appointed as Senior Managing Director, in charge of the Sales Headquarters (current position)	2 years from the Annual General Meeting of Shareholder held on March 27, 2024	7

Job title	Name	Date of birth	Career summary		Term of office	Number of shares owned (Thousands of shares)
Managing Director In charge of the Administration Headquarters	Hideaki Ibata	December 7, 1962	Apr. 1986 May 2006 Mar. 2010 Jun. 2011 Jun. 2014 Mar. 2015	Joined the Fuji Bank, Ltd. (currently Mizuho Bank, Ltd.) Branch Manager of the Ageo Branch, Mizuho Bank, Ltd. General Manager of the Branch Business Department No. 7, Mizuho Bank, Ltd. Branch Manager of the Tokyo-chuo Branch, Mizuho Bank, Ltd. Seconded to KOKEN LTD., Deputy Administration Headquarters Manager Appointed as Managing Director, in charge of the Administration Headquarters (current position)	2 years from the Annual General Meeting of Shareholder held on March 27, 2024	2
Director Director, Accounting Department	Toshiaki Nagasaka	October 16, 1959	Apr. 1982 Mar. 2000 Mar. 2002 Feb. 2007 Mar. 2008 Nov. 2008 Aug. 2009 Mar. 2014	Joined KOKEN LTD. Head of the Tokorozawa Techno-Yard Head of the Sayama Techno-Yard Head of the Compliance Office Executive Officer, Head of the Compliance Office Executive Officer, Head of the Compliance Office and Head of the Safety & Environment Management Office Executive Officer, General Manager of the Accounting Department Appointed as Director, General Manager of the Accounting Department (current position)	2 years from the Annual General Meeting of Shareholder held on March 27, 2024	9
Director, Advisor	Hiroyuki Sakai	May 23, 1943	Apr. 1967 Aug. 1970 Nov. 1974 Nov. 1984 Mar. 1986 Apr. 1990 Mar. 1992 Mar. 1998 Mar. 2003 Mar. 2014 Apr. 2015	Joined KOKEN LTD. Assistant Manager of the Sales Department Appointed as Director, General Manager of the Systems Department Appointment as Representative Director, President, Sakai Tatemono Ltd. Appointed as Managing Director Managing Director, Sales Headquarters Manager Representative Director, Senior Managing Director, Sales Headquarters Manager Representative Director, Executive Vice President, Sales Headquarters Manager Appointed as Representative Director, President Appointed as Director, Advisor (current position) Appointment as Director, Sakai CHS Foundation (current position)	2 years from the Annual General Meeting of Shareholder held on March 27, 2024	559

Job title	Name	Date of birth	Career summary	Term of office	Number of shares owned (Thousands of shares)
Director	Shinobu Sakurai	May 10, 1961	<p>Apr. 2004 Professor, Course of Nursing, Mie University Faculty of Medicine; Professor, Course of Nursing Graduate Major, Mie University Graduate School of Medicine</p> <p>Sept. 2011 Professor Emeritus, Mie University (current position); Professor, Department of Nursing, Juntendo University Faculty of Health Care and Nursing; Professor, Doctor's Course of Nursing, Juntendo University Graduate School of Health Care and Nursing (current position)</p> <p>Apr. 2014 Professor, Department of Health, Juntendo University Faculty of Health and Sports Science</p> <p>Mar. 2017 Appointed as Director (current position)</p>	2 years from the Annual General Meeting of Shareholder held on March 27, 2024	—
Standing Corporate Auditor	Toshio Akiyama	April 2, 1949	<p>Apr. 1973 Joined KOKEN LTD.</p> <p>Aug. 1986 Special Procurement Division Manager</p> <p>Mar. 2000 Appointed as Director, Special Procurement Division Manager and Hygienic Equipment Division Manager</p> <p>Apr. 2001 Director, Hygienic Equipment Division Manager</p> <p>Mar. 2003 Director, Sales Headquarters Manager and General Manager of the Sales Management Department</p> <p>Feb. 2006 Director, Sales Headquarters Manager, General Manager of the Sales Management Department and Overseas Division Manager</p> <p>Feb. 2007 Director, Sales Headquarters Manager and General Manager of the Sales Management Department</p> <p>Mar. 2008 Appointed as Managing Director, in charge of the Sales Headquarters</p> <p>Mar. 2012 Managing Director, in charge of internal controls</p> <p>Mar. 2015 Appointed as Standing Corporate Auditor (current position)</p>	4 years from the Annual General Meeting of Shareholder held on March 28, 2023	14
Standing Corporate Auditor	Yoshihiro Ito	July 12, 1949	<p>Jun. 1980 Joined KOKEN LTD.</p> <p>Sept. 1998 General Manager of the Central Japan Block</p> <p>Mar. 2001 Appointed as Director, General Manager of the Central Japan Block</p> <p>Mar. 2008 Executive Officer, General Manager of the Central Japan Block</p> <p>Apr. 2015 Executive Officer, in charge of internal controls</p> <p>Mar. 2017 Appointed as Standing Corporate Auditor (current position)</p>	4 years from the Annual General Meeting of Shareholder held on March 26, 2021	8

Job title	Name	Date of birth	Career summary		Term of office	Number of shares owned (Thousands of shares)
Corporate Auditor	Teruo Shinato	February 24, 1955	Apr. 1978 Jan. 1990 Apr. 1994 Jul. 2000 Apr. 2002 Apr. 2003 Apr. 2006 Apr. 2012 Mar. 2015 Apr. 2020 Apr. 2021	Joined the Fuji Bank, Ltd. (currently Mizuho Bank, Ltd.) Seconded to the Tokyo International Financial Futures Exchange (currently Tokyo Financial Exchange Inc.), Manager of the Planning Section Deputy Branch Manager of the Paris Branch, The Fuji Bank, Ltd. General Manager of the Sales Department, Mizuho Trust & Banking Co., Ltd. General Manager in charge of the General Planning Department, Mizuho Trust & Banking Co., Ltd. Professor, Asahi University Faculty of Business Administration Professor, Nihon University Graduate School of Social and Cultural Studies Professor and Dean, Nihon University Graduate School of Social and Cultural Studies Appointed as Corporate Auditor (current position) Professor, Nihon University Graduate School of Social and Cultural Studies Specially Appointed Professor, Nihon University Graduate School of Social and Cultural Studies (current position)	4 years from the Annual General Meeting of Shareholder held on March 28, 2023	1
Corporate Auditor	Nikko Haku	March 7, 1977	Nov. 2002 Oct. 2004 Jan. 2011 Mar. 2015	Passed the Bar Examination Registered at the Daini Tokyo Bar Association; Joined Sakura Kyodo Law Offices Partner, Sakura Kyodo Law Offices (current position) Appointed as Corporate Auditor (current position)	4 years from the Annual General Meeting of Shareholder held on March 28, 2023	-
					Total	1,237

(Notes) 1. Director Shinobu Sakurai is an outside director.

2. Corporate Auditor Teruo Shinato and Corporate Auditor Nikko Haku are outside corporate auditors.

3. Director, Advisor Hiroyuki Sakai is the younger brother of Representative Director, Chairman Masakazu Sakai.

## 2) Status of outside officers

The Company has appointed one outside director (independent officer) and two outside corporate auditors (independent officers) who supervise the execution of duties from an objective point of view outside the Company.

The outside director and outside corporate auditors attend required meetings, such as those of the Board of Directors, speak actively mainly from the standpoint of their field of expertise, and conduct supervision and audits of the execution of duties by the directors.

Ms. Shinobu Sakurai was appointed as an outside director because she has abundant insight and experience as a professor at graduate schools and universities which engage in studies on public health nursing and community health nursing, and thus we are hopeful that her specialized insight will be leveraged in the enhancement of the Company's management structure. There are no personal, capital relationships, or any conflict of interest, between the Company and Ms. Sakurai. Furthermore, Ms. Sakurai has been reported to Tokyo Stock Exchange, Inc. as an independent officer.

Mr. Teruo Shinato was appointed as an outside corporate auditor because, in view of his expertise as a



graduate school professor, we are hopeful that his specialized knowledge and rich experience will be reflected in the Company's audits. There are no personal, capital relationships, or any conflict of interest, between the Company and Mr. Shinato. Furthermore, Mr. Shinato has been reported to Tokyo Stock Exchange, Inc. as an independent officer.

Mr. Nikko Haku was appointed as an outside corporate auditor because he is familiar with corporate legal affairs as a lawyer, and thus we are hopeful that his high level of specialized knowledge and rich experience will be reflected in the Company's audits. Mr. Haku is a partner at Sakura Kyodo Law Offices, and while the Company has business relationships, such as the outsourcing of legal services, with other partners at this firm, it has never signed an advisory contract with the firm, and has had no business relationships with the firm in the fiscal year under review. Furthermore, Mr. Haku has been reported to Tokyo Stock Exchange, Inc. as an independent officer.

We have not established criteria or policies with regard to how independent candidates must be in order to be appointed as outside director and outside corporate auditors. However, we do make reference to determining factors, etc., relating to the independence of independent officers as set forth in the "Handling Procedures Relating to Securities Listing Regulations" of Tokyo Stock Exchange, Inc. when making appointments.

- 3) Mutual cooperation between the activities of supervision or auditing performed by an outside director and outside corporate auditors and the operations of internal auditing, corporate-auditor auditing and financial auditing; and nature of relationship with internal control departments

The outside director supervises overall management, which at meetings of the Board of Directors involves furnishing their opinions from an objective and neutral viewpoints as outsiders, with respect to reporting on the status of each director's business execution.

The outside corporate auditors engage in discussions in meetings of the Board of Corporate Auditors upon having received reports on important matters regarding audits. They also attend the meetings of the Board of Directors and other necessary meetings, and perform audits with respect to the status of directors' business execution, as well as the appropriateness and legality of each task.

The outside director and outside corporate auditors request reports from internal audit departments and management departments as necessary, and otherwise strive to enhance cooperation by seeking opinions of the independent auditor. Results of internal audits, auditing by corporate auditors, and financial audits are reported to the outside director and outside corporate auditors through either the Board of Directors or the Board of Corporate Auditors.

(3) [Status of audits]

- 1) Status of auditing by corporate auditors

The Company has adopted a Board of Corporate Auditors system. The Board of Corporate Auditors consists of two standing corporate auditors and two outside corporate auditors. Each corporate auditor appointed has a personality and insights suitable to the position of corporate auditor, and maintains an ethical viewpoint.

The corporate auditors attend the meetings of the Board of Directors and other necessary meetings in accordance with matters stipulated by the Board of Corporate Auditors such as standards for auditing by corporate auditors, audit policy, audit plans, audit methodology, and assignment of audit work. They also perform audits of directors and their performance of professional duties, and also perform audits of each department in the Company. In addition, the corporate auditors hold audit report meetings for the directors to facilitate exchange of opinions. At regular meetings of the Board of Corporate Auditors, the corporate auditors check the status of audit work and share information through mutual reporting on the status of professional duties.

Name	Position in the Company	Attendance at Board of Corporate Auditors meetings
Toshio Akiyama	Standing Corporate Auditor	8 of 8 (100%)
Yoshihiro Ito	Standing Corporate Auditor	8 of 8 (100%)
Teruo Shinato	Corporate Auditor	8 of 8 (100%)
Nikko Haku	Corporate Auditor	8 of 8 (100%)

Specifically, the evaluation items at the Board of Corporate Auditors are the auditing policy, the auditing plan, the response to KAM (Key Audit Matters), the creation of an internal control system and oversight of its

operations, the validity of the execution of duties by the directors, the auditing methodology of the corporate auditors, and the appropriateness of auditing results. Furthermore, the corporate auditors receive reports from the independent auditor on auditing plans, the implementation and results of audits, and other important auditing-related items, discuss those details, and evaluate the details of audits, working to strengthen cooperation.

Outside Corporate Auditor Teruo Shinato through his abundant knowledge and insight as a university professor and Outside Corporate Auditor Nikko Haku through his expertise as an attorney provide necessary comments and valuable advice at both meetings of the Board of Directors and meetings of the Board of Corporate Auditors, exercising their auditing functions from independent standpoints and appropriately executing their duties.

## 2) Status of internal audits

The corporate auditors perform internal audits based on audit plans of the corporate auditors.

The Company's internal audits are the responsibility of the executive officer in charge of internal controls, and that officer directs individuals appointed by the representative director, president to audit, and audits the status of business execution. As a system is used whereby the audit results are approved by the person responsible for audits and then reported to the representative director, president, improvement measures are taken as needed, and follow-up audits are implemented for these improvements. In addition, the corporate auditors closely coordinate their exchange of information with the Board of Corporate Auditors and the independent auditor.

For internal audits related to quality (equivalent to Quality Management System ISO 9001 and JIS Q9001 internal audits), a quality assurance auditor (the head of the Quality Management Office is responsible for audits) performs audits based on the quality assurance audit regulations and reports results to the representative director, president. Note that, when nonconformity is discovered via audit, the person responsible for audits makes a request to the head of the audited department that all nonconformities be corrected, and confirms the effectiveness of measures taken.

Furthermore, the Company has built a quality and safety management system based on QMS Ordinance (Ministerial Ordinance on Standards for Manufacturing Control and Quality Control for Medical Devices and In-Vitro Diagnostics), System Ordinance (Ministerial Ordinances on Standards for Systems for Performing Business Relating to Manufacturing Control and Quality Control for Medical Devices and In- Vitro Diagnostics), and GVP Ordinance (Ministerial Ordinance on Good Vigilance Practice for Drugs, Quasi-Drugs, Cosmetics, Medical Devices, and Regenerative Medicine Products) in conjunction with the commencement of the manufacture and sale of medical equipment (endoscope washer/disinfector) for which it received a medical equipment manufacture and sales approval in accordance with the "Act on Securing Quality, Efficacy and Safety of Products including Pharmaceuticals and Medical Devices." The overall manufacturing and sales manager, who is the chief executive for manufacturing and sales, supervises and instructs the person responsible for domestic quality operations and the person responsible for safety management to perform quality and safety management. The person responsible for domestic quality operations and the person responsible for safety management, and related departments are in close cooperation and collaboration with one another. We will further strengthen this quality and safety management system and we will continue to manufacture and sell high quality and highly safe medical equipment.

The Company has established safety and health management regulations for the purpose of ensuring the safety and health of our employees and forming a comfortable work environment based on the Industrial Safety and Health Act. These regulations apply to the management of work environment, operations, and health of all employees. The staff and head of the Safety & Environment Management Office perform regular and ad hoc safety and health audits of all business offices based on these regulations, and report audit results to the representative director, president. Note that, when nonconformity is discovered via audit, the head of the Safety & Environment Management Office makes a request to the audited business office supervisor that all nonconformities be corrected, and confirms the effectiveness of measures taken.

Matters concerning internal audit are not directly reported to the Board of Corporate Auditors, they are reported to the representative director, president as well as directors and corporate auditors at the Board of Directors meeting. Moreover, among the audits, while quality assurance audits and safety and health audits are not directly reported to the Board of Directors or the Board of Corporate Auditors, they are reported at the sessions

of the Senior Management Meeting, which consists of directors, senior managers and corporate auditors, and is held regularly.

3) Status of financial audits

(i) Name of audit firm

A&A Partners

(ii) Continuous service period

17 years

(iii) Certified public accountants who executed audit work

Designated partner, engagement partner: Hisayuki Kima, Certified Public Accountant

Designated partner, engagement partner: Hiromi Ito, Certified Public Accountant

(iv) Number of assistants engaged in auditing work

Certified public accountants: 3

Others: 10

(v) Independent auditor selection policy and reasons for such selection

The Company has deemed A&A Partners to be qualified to serve as its independent auditor, having made the decision to select the independent auditor upon performing a review which was conducted on the basis of independent auditor assessment conducted by the Board of Corporate Auditors. That assessment considered factors such as the independent auditor's system for performing audits and quality control system based on independent auditor assessment conducted by the Board of Corporate Auditors encompassing factors such as the audit firm's profile and audit performance. The assessment also considered factors such as the independent auditor's expertise and independence, its comprehension of the Company's business affairs, suitability of audit efficiency, and auditing costs. In the event that the independent auditor has been impeded from performing its professional duties, or if otherwise deemed necessary, the Board of Corporate Auditors will determine the content of a proposal regarding the prospect of the independent auditor's dismissal or non-reappointment, for submission to the general meeting of shareholders. In addition, the Board of Corporate Auditors will dismiss the independent auditor, per unanimous consent of the corporate auditors, if it determines that any of the provisions stipulated in the items of paragraph 1, Article 340 of the Companies Act apply to the independent auditor. In such cases, a corporate auditor selected by the Board of Corporate Auditors will report on the dismissal of the independent auditor and reasons thereof at the first meeting of the general meeting of shareholders convened subsequent to the dismissal.

(vi) Independent auditor assessment conducted by the corporate auditors and Board of Corporate Auditors

The corporate auditors and Board of Corporate Auditors perform their assessment based on the aforementioned independent auditor selection policy. In addition, the Board of Corporate Auditors engages in discussion to determine the adequacy of audits. It is accordingly subject to debriefings regarding activities of the independent auditor by departments responsible for internal controls pertaining to financial reporting. It is also subject to debriefings regarding financial audits performed on a quarterly basis based on audit plans of the independent auditor, and performs on-site observation of financial audits on an ad hoc basis. As a result of such activities, the Board of Corporate Auditors deems that A&A Partners is qualified as an audit firm.

4) Description of audit compensation, etc.

(i) Compensation for the certified public accountants, etc. conducting the audit

Classification	Previous fiscal year		Current fiscal year	
	Compensation based on audit certification work (Thousands of yen)	Compensation based on non-audit work (Thousands of yen)	Compensation based on audit certification work (Thousands of yen)	Compensation based on non-audit work (Thousands of yen)
Submitting company	25,000	–	26,250	–
Consolidated subsidiaries	–	–	–	–
Total	25,000	–	26,250	–

(Note) There was no non-audit work provided to the Company and consolidated subsidiaries.

(ii) Compensation for organizations belonging to the same network as the certified public accountants, etc. conducting the audit (excluding compensation described under (i), above)

(Previous fiscal year)

No items to report.

(Current fiscal year)

No items to report.

(iii) Description of other important compensation based on audit certification work

(Previous fiscal year)

No items to report.

(Current fiscal year)

No items to report.

(iv) Methods for determining audit compensation

Whereas the company doesn't stipulate specific details in its policy for determining audit compensation for the certified public accountants, etc. conducting the audit, the Company's representative directors make such decisions upon gaining consent of the Board of Corporate Auditors, taking into account factors such as the size of the Company, the nature of the work, and the number of auditing days.

(v) Reasons for the Board of Corporate Auditors consenting to the independent auditor compensation, etc.

The Board of Corporate Auditors furnished its consent with respect to the independent auditor compensation, etc., upon having performed requisite verification as to the suitability of factors such as specifics of the independent auditor's audit plan, its performance of professional duties regarding financial audit, and the basis for calculation of compensation quotations.

(4) [Officer compensation, etc.]

1) Matters pertaining to policies on determining amounts of officer compensation, etc. and methods for calculating said amounts

As a compensation system linked to shareholder returns to ensure that incentives to increase corporate value sustainably function, the Company has a basic policy to ensure appropriate compensation levels in determining individual director compensation based on the director's professional responsibilities.

Compensation for directors consists of "base compensation (fixed compensation)," a fixed amount serving as the basic compensation, "performance-based compensation (bonus)" calculated based on each business period's results, "stock compensation," and "retirement benefits." Regarding the compensation amounts for individual directors, Representative Director, Chairman Masakazu Sakai, Representative Director, President Tsutomu Murakawa, and Representative Director, Executive Vice President Nobuya Horiguchi are delegated authority for the specific details per resolution of the Board of Directors, and within the scope of that authority, they assess and distribute bonuses based on the amount of the individual director's base compensation and the individual director's level of contribution in their work responsibilities. The Company has delegated the authority to the representative directors because they are fitted for making assessment of the performance of each independent director's division in charge while considering the Company's overall performance, etc. Furthermore, regarding stock compensation, the number of allotted shares is determined for each director at meetings of the Board of Directors. Moreover, each type of compensation is distributed

within the scope of resolutions at the General Meeting of Shareholders.

Base compensation serves as monthly monetary compensation (fixed compensation) and is determined based on a comprehensive consideration of position, work responsibilities, the Company's business performance, levels of employee compensation, and levels at other companies, within the scope of the compensation limits determined at the General Meeting of Shareholders.

Performance-based compensation, a form of monetary compensation (bonus) that reflects our key performance indicators (KPI) to increase awareness of enhancing business performance each fiscal year, is determined based on the percentage of total compensation paid as fixed compensation, and calculated by multiplying consolidated operating income, which serves as the Group's target performance benchmark, by a certain percentage, in addition to the individual director's contribution levels to management, and is paid during a set period. The Company opted to use consolidated operating income as a benchmark pertaining to performance-based compensation upon having comprehensively considered factors including the notion that consolidated operating income accurately reflects corporate performance and the notion that consolidated operating income serves as an objective benchmark with respect to gauging success in achieving management goals. During the fiscal year under review, consolidated operating income amounted to 1,007 million yen, which was 227 million yen higher than the initial target of 780 million yen. The results for the previous fiscal year was 1,184 million yen.

Although the Company does not stipulate policy on the ratios of payment with respect to the mix of performance-based compensation and non-performance-based compensation, in the fiscal year ended December 31, 2023, the average percentage for all directors of performance-based compensation making up total compensation was 19.0%.

Stock compensation further clarifies the link between director compensation and the Company's share price, and accordingly constitutes the Company's system of compensation provided to raise awareness regarding contributions in the form of continually improving financial results and achieving greater corporate value, by emphasizing the shared interests of directors and shareholders in terms of the notion that both parties not only benefit from a rising share price but also incur risks of a falling share price. Within the scope decided at the 53rd Annual General Meeting of Shareholders held on March 29, 2016, points are awarded each fiscal year based on our officer stock benefit regulations. Moreover, upon the director's retirement, each one point is exchanged for one share of the Company's common stock, and the shares are awarded to the director.

Retirement benefits are paid during a set period based on standards stipulated in the officer retirement benefit internal regulations after the amounts are approved by a resolution at the General meeting of Shareholders. From the standpoint of ensuring independence, compensation for corporate auditors is composed only of fixed compensation and retirement benefits. The Board of Corporate Auditors determines amounts of corporate auditor compensation, through consultation with the corporate auditors, in accordance with a corporate auditor's professional duties and responsibilities, and depending on whether the corporate auditor serves on a full-time or part-time basis.

2) Total amount of compensation, etc. by each officer classification, total amount of compensation, etc. by type, and the number of officers to be paid

Officer classification	Total amount of compensation, etc. (Thousands of yen)	Total amount of compensation, etc. by type (Thousands of yen)					Number of officers to be paid (persons)
		Base compensation (Fixed compensation)	Performance-based compensation (Bonus)	Stock compensation	Retirement benefits	Of the left items, non-monetary compensation, etc.	
Director (excluding outside director)	236,818	154,800	45,200	4,218	32,600	4,218	8
Corporate auditor (excluding outside corporate auditor)	24,200	21,600	–	–	2,600	–	2
Outside officer	21,400	18,000	1,200	–	2,200	–	3
Total	282,418	194,400	46,400	4,218	37,400	4,218	13

(Notes) 1. Performance-based compensation (bonus) is treated as expenses processed as provision for

directors' and corporate auditors' bonuses in the fiscal year under review. The bonuses were approved at the 61st Annual General Meeting of Shareholders held on March 27, 2024.

2. Stock compensation is treated as an expense processed as provision for directors' stock benefits for six directors in the fiscal year under review.
3. Retirement benefits are treated as expenses processed as provision for directors' and corporate auditors' retirement benefits in the fiscal year under review.
4. The total amount of non-monetary compensation, etc. to directors (excluding an outside director) was 4,218 thousand yen.

3) Total amount of compensation, etc. for each officer of the submitting company, etc.

None is listed because no officer received compensation totaling 100 million yen or more.

4) Important matters among employee salaries for officers serving concurrently as employees

No items to report.

(5) Status of shareholding

1) Standards and approach for classification of investment shares

The Company classifies shares that it holds for the purpose of generating profit from share price volatility and stock dividends as investment shares held for the purpose of net investment, and otherwise classifies shares that it holds for other purposes as investment shares held for purposes other than net investment.

2) Investment shares held for purposes other than net investment

(i) Policy for holding, method for verifying the rationale of holdings, and verification by the Board of Directors, etc. to determine whether to keep holding individual issues

The Company maintains cross-shareholdings only when it deems that doing so will increase its medium- to long-term corporate value from the perspective of enabling the company to uphold and strengthen consistent and long-term business relationships with its business partners and other parties. Moreover, the Company scrutinizes and verifies purposes and rationale of individual cross-shareholdings, and accordingly maintains a policy of selling shares, in principle, with respect to which the Board of Directors has deemed there to be insufficient significance in holding for such purposes.

(ii) Number of issues and their balance sheet values

	Number of issues (stock listings)	Total amount shown on the balance sheet (Thousands of yen)
Unlisted stocks	2	696
Other than unlisted stocks	5	118,727

(Issues for which the number of shareholdings increased during the fiscal year under review)

No items to report.

(Issues for which the number of shareholdings decreased during the fiscal year under review)

No items to report.

(iii) Information regarding the number of shares and their balance sheet values, etc. by individual issue with respect to specified investment shares and deemed shareholdings

Issues	Current fiscal year	Previous fiscal year	Holding purpose, summary of business alliance, etc., quantitative effect of holdings, and reasons for increasing number of shareholdings	Holdings of the Company's shares
	Number of shares (shares)	Number of shares (shares)		
	Amount shown on the balance sheet (Thousands of yen)	Amount shown on the balance sheet (Thousands of yen)		
Resona Holdings, Inc.	76,835	76,835	(Holding purpose) Held with the aim of maintaining and strengthening business relationships. (Quantitative effect of holdings)* <sup>1</sup>	No* <sup>2</sup>
	55,090	55,628		
Mizuho Financial Group, Inc.	19,149	19,149	(Holding purpose) Held with the aim of maintaining and strengthening business relationships. (Quantitative effect of holdings)* <sup>1</sup>	No* <sup>3</sup>
	46,206	35,540		
NIPPON KANRYU INDUSTRY CO., LTD.	15,000	15,000	(Holding purpose) Held with the aim of strengthening business relationships in the mask-related business. (Quantitative effect of holdings)* <sup>1</sup>	No
	11,175	8,655		
Mitsubishi UFJ Financial Group, Inc.	4,240	4,240	(Holding purpose) Held with the aim of maintaining and strengthening business relationships. (Quantitative effect of holdings)* <sup>1</sup>	No* <sup>4</sup>
	5,138	3,769		
Nomura Holdings, Inc.	1,750	1,750	(Holding purpose) Held with the aim of maintaining and strengthening business relationships. (Quantitative effect of holdings)* <sup>1</sup>	No* <sup>5</sup>
	1,116	855		

Notes (1) The quantitative holding effect is not stated given the relationship with the counterparty. However, as stated in “(2) (i)” above, the Company scrutinizes the rationale of individual cross-shareholdings, and verifies the purpose of all currently held cross-shareholdings is in line with the Company’s holding policy.

- (2) Resona Holdings, Inc. doesn’t hold shares of the Company, however, Resona Bank, Limited holds shares of the Company.
- (3) Mizuho Financial Group, Inc. doesn’t hold shares of the Company, however, Mizuho Bank, Ltd. holds shares of the Company.
- (4) Mitsubishi UFJ Financial Group, Inc. doesn’t hold shares of the Company, however, Mitsubishi UFJ Trust and Banking Corporation holds shares of the Company.
- (5) Nomura Holdings, Inc. doesn’t hold shares of the Company, however, Nomura Securities Co., Ltd. holds shares of the Company.

3) Investment shares held for the purpose of net investment  
No items to report.

4) Investment shares with respect to which the holding purpose has changed during the current fiscal year from that of holdings for the purpose of net investment to that of holdings for purposes other than net investment  
No items to report.

5) Investment shares with respect to which the holding purpose has changed during the current fiscal year from that of holdings for purposes other than net investment to that of holdings for the purpose of net investment  
No items to report.



## X. Status of Affiliates

Name	Address	Capital stock	Main business	Percentage of voting rights held (held by others) (%)	Relationship
(Consolidated subsidiary) SIAM KOKEN LTD.	Chonburi Province, Thailand	THB 150,000,000	Mask-related business	100.0	Manufacture of the Company's products Interlocking officers

- (Notes) 1. Segment name is noted in the "Main business" column.  
2. Falls under specified subsidiaries.

## XI. Status of Employees

### (1) Status of consolidated companies

As of December 31, 2023, the Group (the Company and its consolidated subsidiaries) had 287 (167) employees.

Since employees are engaged in more than one business, the number of employees is not described in conjunction with segments.

(Note) The number of employees indicates the number of working employees, and the annual average number of temporary employees is noted in parentheses.

### (2) Status of submitting companies

As of December 31, 2023			
Number of employees (persons)	Average age (age)	Average years of service (years)	Average annual salary (yen)
236 (167)	41.3	16.2	7,607,952

- (Notes) 1. The number of employees indicates the number of working employees, and the annual average number of temporary employees is noted in parentheses.  
2. The average annual salary is gross with tax, and includes surplus wages and bonuses.  
3. Since employees are engaged in more than one business, the number of employees is not described in conjunction with segments.

### (3) Status of labor unions

There are no labor unions.

### (4) Ratio of female workers among managers, rate of childcare leave taken by male workers and difference in wages between male and female workers

#### 1) The Company

The fiscal year under review				
Ratio of female workers among managers (%) (Note) 1.	Rate of childcare leave taken by male workers (%) (Note) 2.	Difference in wages between male and female workers (%) (Note) 1. 3.		
		All workers	Of which regular workers	Of which non-regular workers
6.7	44.4	37.6	78.7	77.7

- (Notes) 1. It is calculated in accordance with the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).  
2. The taking rate for childcare leave, etc., in Article 71-4, item (i) of the Ordinance for

Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991) is calculated in accordance with the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

3. While the Company has no different treatment according to gender under the wage system based on the principle of equal pay for equal work, there are differences between male and female workers due to the following reasons:
- The difference between male and female regular workers reflects the difference in distribution of job categories and the ratio of managers.
  - The difference between male and female non-regular workers reflects the diversified working hours and the number of contract days of female part-timers.
  - It appears as the difference between male and female workers because about 80% of female workers are part-timers.

## 2) Consolidated subsidiaries

Consolidated subsidiaries are omitted because they are not subject to the disclosure requirements based on the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015) and the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

## **XII. Stock Option System**

No items to report.

### **XIII. Stock Ownership System for Officers and Employees**

#### 1) Introduction of Stock Benefit Trust (BBT) for directors

On June 1, 2016, the Company introduced “Stock Benefit Trust (BBT)” (hereinafter referred to as the “BBT system”) as a stock compensation system for directors based on a resolution at the General Meeting of Shareholders held on March 29, 2016.

##### 1. Overview of the BBT system

“Officer stock benefit regulations” were established upon the introduction of the BBT system. The Company entrusted money to a trust bank for the pre-acquisition of shares to be provided in the future based on the established officer stock benefit regulations, and the trust bank used the entrusted money to acquire the Company’s stock.

The BBT system awards points to directors targeted for benefits based on the officer stock benefit regulations, and shares are granted to directors based on the points they have been awarded.

##### 2. The total number of shares to be granted to directors

22,930 shares

##### 3. Scope of persons eligible to receive beneficiary and other rights under the BBT system

Persons who have retired as directors and satisfy the beneficiary requirements set forth in the officer stock benefit regulations.

#### 2) Introduction of Stock Benefit Trust (J-ESOP) for employees

On June 1, 2016, in an effort to raise employee motivation and morale with respect to stock price and performance improvements, the Company introduced the “Stock Benefit Trust (J-ESOP)” incentive plan (hereinafter referred to as the “J-ESOP system”) whereby shares of its own stock are granted to the Company’s executive officers and to the Company’s employees who meet certain requirements (hereinafter referred to as the “Employees, etc.”).

##### 1. Overview of the J-ESOP system

“Stock benefit regulations” were established upon the introduction of the J-ESOP system. The Company entrusted money to a trust bank for the pre-acquisition of shares to be provided in the future based on the established stock benefit regulations, and the trust bank used the entrusted money to acquire the Company’s stock.

The J-ESOP system awards points to Employees, etc. based on the stock benefit regulations, and shares are granted to Employees, etc. based on the points they have been awarded.

##### 2. The total number of shares to be granted to Employees, etc.

64,270 shares

##### 3. Scope of persons eligible to receive beneficiary and other rights under the J-ESOP system

Persons who are retired Employees, etc. and satisfy the beneficiary requirement set forth in the stock benefit regulations.

## XIV. Capital Expenditures

[Overview of capital expenditures, etc.]

A total of 199 million yen of capital expenditures (including intangible fixed assets) were made in the Group (the Company and its consolidated subsidiaries) in the fiscal year under review in order to develop highly competitive new products that meet market requirements, and to prepare an efficient mass production system for these new products.

Moreover, the main capital expenditures made in the fiscal year under review are as follows.

Techno-Yard manufacturing equipment	70 million yen
Dies for occupational safety and health protection equipment, etc.	45 million yen
Demonstration machines for sales promotions	23 million yen
Techno-Yard equipment and fixtures	10 million yen

Note that except for disposal in conjunction with regular updates to existing facilities, the Group did not dispose of important facilities, etc.

## XV. Dividend Policy

The Company has consistently viewed the return of profits to shareholders as one of the important management issues, and thus follows a basic policy of maintaining and improving stable dividends.

The Company has stipulated in its articles of incorporation that “interim dividends may be executed as set forth in Article 454, paragraph 5 of the Companies Act.” Year-end dividends are determined by the Annual General Meeting of Shareholders, and interim dividends are determined by the Board of Directors’ meeting.

As a result of a comprehensive consideration of business performance in the fiscal year under review, future business development trends, and changes in earnings and the financial condition based on the policy described above, with regard to dividends for the fiscal year under review, the Company has decided to pay a year-end ordinary dividend of 35 yen per share at the Annual General Meeting of Shareholders held on March 27, 2024.

Aiming for further strengthening our management base, we will effectively utilize retained earnings for research and development and capital expenditures in new technology and products with an eye to ensuring the Group’s on-going development in the future.

Dividends from retained earnings in the fiscal year under review are as follows.

Resolution date	Total dividends (Millions of yen)	Dividends per share (Yen)
March 27, 2024 Resolution at the Annual General Meeting of Shareholders	176	35

## XVI. Status of Business

[Overview of business performance, etc.]

### Business performance

In the fiscal year under review (January to December 2023), the Japanese economy continued to gradually recover with the normalization of social and economic activities. On the other hand, the outlook remained uncertain due to the further deterioration of international situations, the impact of fluctuations in the financial and capital markets as a result of global monetary tightening and the complex rising prices of goods.

In this business environment, in the mask-related business, demand for industrial masks remained strong due to the recovery of the manufacturing industry in Japan, while sales of anti-infection masks mostly declined in line with the number of patients.

Moreover, in the environment-related business, there were successive postponements of orders and deliveries of large-scale models of the “KOACH” open clean zone creator.

As a result, net sales for the whole business in the fiscal year under review were 10,587 million yen (down 0.2% from the previous fiscal year), almost at the same level as in the previous year, thus, not achieving the initial forecast.

Operating income was 1,007 million yen (down 14.9%), ordinary income was 979 million yen (down 15.6%), and net income attributable to owners of parent was 701 million yen (down 15.8%), exceeding the initial forecast, as a result of company-wide cost reduction efforts and improvements in production technology to lower the cost of sales ratio against the rise in raw material prices and logistic costs, but this was not enough to cover increased costs.

Summary of business performance by segment is as follows.

#### (Mask-related business segment)

Sales of industrial masks contributed to an increase in sales due to well-received marketing with support for business sites that are required to respond to new welding regulations (information provision, fitness tests, introduction of optimal masks, etc.) in addition to the recovery of base sales to the level before the COVID-19 pandemic following the improvement of industrial activities. On the other hand, while anti-infection mask sales settled at levels seen in normal times, at one point after the completion of delivering the remaining orders during the eighth wave of COVID-19 infections in May, there was an increasing trend again after the occurrence of the ninth wave.

As a result, net sales for the overall business segment amounted to 9,273 million yen (up 2.5% from the previous fiscal year).

#### (Environment-related business segment)

The KOACH open clean zone creator was affected by the stagnation of the semiconductor industry throughout the year. Net sales for the overall business segment amounted to 968 million yen (down 22.7% from the previous fiscal year), as there were successive postponements of orders and deliveries of large-scale models, while sales of small- and medium-scale models remained at the level of the previous year.

In the Kyushu area where entries and large-scale investments by semiconductor-related companies continued, following the delivery of large-scale models to semiconductor field education and research facilities of Kumamoto University, which is the core of our industry-academia cooperation, we established a new “KOACH Kumamoto showroom” to strengthen marketing activities in the Kyushu area, with an increasing trend toward the consideration of investments and consultations by semiconductor-related companies.

#### (Other businesses segments)

The Company steadily increased sales activities for the endoscope washer/disinfector “Kagami-Naishi II G.” As a result, overall net sales of the segment amounted to 345 million yen (up 12.9% from the previous fiscal year).

## XVII. Segment Information

### a. Production performance

Production performance by segment for the current fiscal year is as follows.

Segment name	Current fiscal year (January 1, 2023 through December 31, 2023)	Compared to the previous fiscal year (%)
Mask-related business (Thousands of yen)	9,286,826	101.1
Environment-related businesses (Thousands of yen)	964,439	73.4
Other businesses (Thousands of yen)	341,650	119.7
Total (Thousands of yen)	10,592,915	98.3

(Note) Amounts are based on sales price.

### b. Orders received

The Group engages in make-to-stock production and so there are no items to report.

### c. Sales performance

Sales performance by segment for the current fiscal year is as follows.

Segment name	Current fiscal year (January 1, 2023 through December 31, 2023)	Compared to the previous fiscal year (%)
Mask-related business (Thousands of yen)	9,273,599	102.5
Environment-related businesses (Thousands of yen)	968,182	77.3
Other businesses (Thousands of yen)	345,344	112.9
Total (Thousands of yen)	10,587,126	99.8

(Note) The sales performance by major transaction partners and the ratio of sales performance to total sales performance for the last two fiscal years are as follows.

Transaction partner	Previous fiscal year		Current fiscal year	
	Amount (Thousands of yen)	Ratio (%)	Amount (Thousands of yen)	Ratio (%)
MIDORI ANZEN YUOHIN CO., LTD.	1,135,549	10.7	1,183,953	11.2



## **XVIII. Financial Instruments**

### **1. Matters concerning the status of financial instruments**

#### **(1) Policy with regard to financial instruments**

The Group is procuring funds needed, taking into consideration the market environment and long-term and short-term balances. Furthermore, the Group's policy is to operate funds using highly safe short-term deposits, etc., and not to conduct speculative transactions. The Group also has a policy of using derivative transactions to avoid interest rate fluctuation risk and foreign exchange fluctuation risk, and not for conducting speculative transactions.

#### **(2) Description and risks of financial instruments, and the risk management system for said financial instruments**

Notes and accounts receivable - trade and electronically recorded monetary claims - operating, which are operating receivables, are exposed to customer credit risk. However, we manage such risk by managing due dates and balances for each customer.

Investments in securities are exposed to the risk of fluctuations in market prices. However, we manage such risk by keeping track of the fair value of listed stocks, etc. on a quarterly basis, and by regularly monitoring our financial situation and other factors with respect to unlisted stocks, etc.

Most accounts payable - trade and accounts payable - other, which are operating obligations, are due within two months, and thus are exposed to liquidity risk. However, we manage liquidity risk by maintaining liquidity on hand at a certain level.

Short-term loans payable, current portion of long-term debt, long-term debt, and lease obligations related to finance lease transactions are mainly for the purpose of financing working capital and capital expenditures, and thus are exposed to liquidity risk. However, we manage liquidity risk by maintaining liquidity on hand at a certain level. Furthermore, since loans are exposed to interest rate fluctuation risk, we consider the use of derivative transactions (interest rate swaps), and implement them when necessary, as hedging instruments. For foreign currency-denominated receivables and obligations and forecasted transactions denominated in foreign currencies, which are based on transactions with subsidiaries and are also exposed to foreign exchange fluctuation risk, we consider the use of derivative transactions (foreign exchange contracts), and implement them when necessary, as hedging instruments of such transactions.

The Accounting Department obtains approval to execute and manage derivative transactions from responsible authorities in accordance with accounting regulations, etc. In addition, we limit derivative transaction contract holders to major financial institutions with high credit ratings only, and thus we believe that there is almost no so-called credit risk that arises from contractual default by counterparties. Please note that, in accordance with internal regulations, etc., our policy is to not engage in derivative transactions other than those for the purpose of hedging risk.

## XIX. Fixed Assets

### 1. Status of major facilities

#### (1) Submitting company

The Company has Techno-Yards (manufacturing bases) in five locations in Japan.

The Advanced Technology Center serves as the Company's research facility.

The Company also possesses sales offices in 15 locations and the Saitama Logistics Center, all located in Japan.

The main facilities among the facilities described above are as follows.

As of December 31, 2023

Business office name (location)	Segment name	Description of facility	Book value						Number of employees (persons)
			Buildings and structures (Thousands of yen)	Machinery, equipment and vehicles (Thousands of yen)	Land (Thousands of yen) (Area m <sup>2</sup> )	Lease assets (Thousands of yen)	Others (Thousands of yen)	Total (Thousands of yen)	
Head office (Chiyoda-ku, Tokyo)	Mask-related business, environment- related businesses and other businesses	Company management work	141,222	4,401	1,636,000 (283.91 m <sup>2</sup> )	21,116	15,717	1,818,457	82
Sayama Techno- Yard (Sayama City, Saitama Prefecture)		Production facility	169,274	67,926	792,433 (11,430.44 m <sup>2</sup> )	–	10,949	1,040,584	15
Gunma Techno-Yard (Midori City, Gunma Prefecture)		Production facility	269,664	239,634	405,140 (9,256.83 m <sup>2</sup> )	–	22,463	936,904	17
Tokorozawa Techno-Yard (Tokorozawa City, Saitama Prefecture)		Production facility	46,950	5,146	177,214 (1,915.55 m <sup>2</sup> )	–	5,824	235,136	11
Nakai Techno-Yard (Nakai-machi, Kanagawa Prefecture)		Production facility	43,344	49,898	325,449 (1,434.94 m <sup>2</sup> )	–	2,433	421,126	7
Ranzan Techno- Yard (Ranzan-machi, Saitama Prefecture)		Production facility	17,433	7,630	–	–	6,211	31,275	9
Advanced Technology Center (Hanno City, Saitama Prefecture)		Research facility	1,936,778	77	1,170,335 (46,778.06 m <sup>2</sup> )	59,610	14,791	3,181,593	32
Saitama Logistics Center (Ranzan-machi, Saitama Prefecture)		Logistics facility	49,763	0	1,242,116 (21,336.07 m <sup>2</sup> )	–	296	1,292,176	3

(Notes) 1. "Others" in the book values includes tools, instruments, and equipment, and does not include construction in process accounts.

2. Since the Ranzan Techno-Yard is located on the same site as the Saitama Logistics Center, all the land of that site is shown under the Saitama Logistics Center.

3. Since the Ranzan Techno-Yard is located on the same building as the Saitama Logistics Center, monetary amounts are classified in accordance with the area used by each facility and are shown for each facility separately.

## (2) Overseas subsidiaries

As of December 31, 2023

Company name	Business office name (location)	Segment name	Description of facility	Book value						Number of employees (persons)
				Buildings and structures (Thousands of yen)	Machinery, equipment and vehicles (Thousands of yen)	Land (Thousands of yen) (Area m <sup>2</sup> )	Lease assets (Thousands of yen)	Others (Thousands of yen)	Total (Thousands of yen)	
SIAM KOKEN LTD.	Chonburi Province, Thailand	Mask-related business	Production facility	182,650	11,709	89,261 (13,430.40 m <sup>2</sup> )	–	2,930	286,552	51

(Note) “Others” in the book values includes tools, instruments, and equipment, and does not include construction in process accounts.

## 2. Plans for the new establishment and disposal of facilities

The Group’s capital expenditures are formulated after comprehensively considering economic trends, investment efficiency, etc.

As of the end of the fiscal year under review, there are no plans for newly establishing or disposing of important facilities.

## XX. Loans

[Schedule of loans, etc.]

Classification	Balance at beginning of current term (Thousands of yen)	Balance at end of current term (Thousands of yen)	Average interest rate (%)	Repayment deadline
Short-term loans payable	1,445,000	1,425,000	0.50	–
Current portion of long-term debt	1,140,000	1,394,000	0.73	–
Current portion of lease obligations	112,333	52,513	–	–
Long-term debt (excluding those to be repaid within one year)	3,374,000	3,170,000	0.80	2025 through 2028
Lease obligations (excluding those to be repaid within one year)	60,562	8,048	–	2025 through 2027
Total	6,131,895	6,049,562	–	–

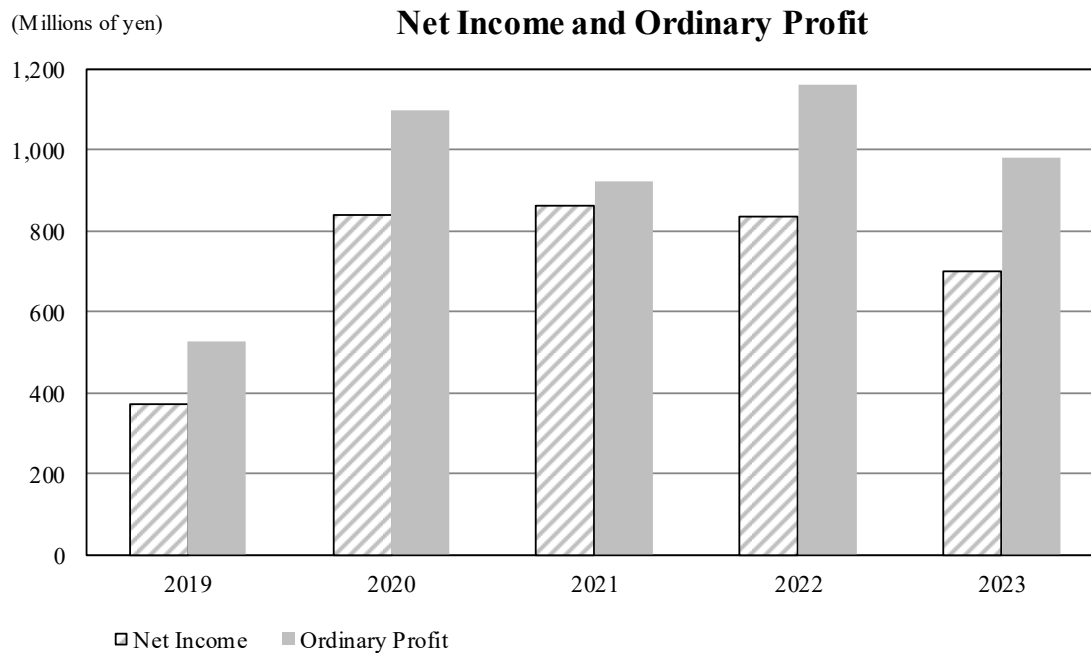
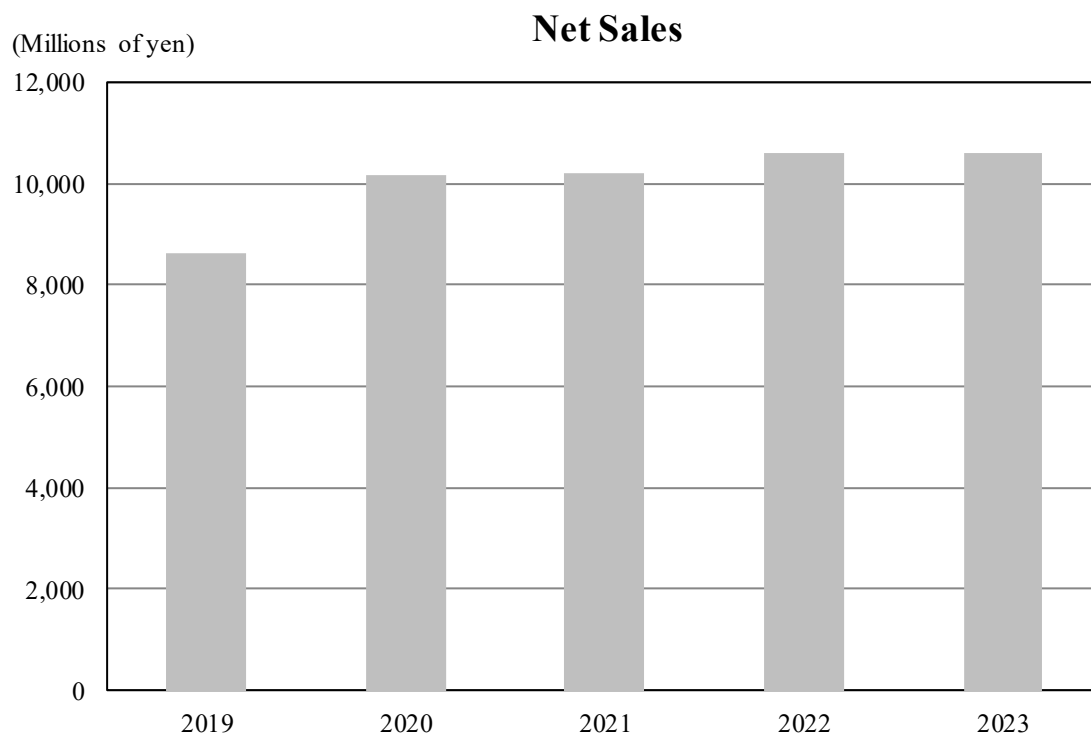
- (Notes) 1. The weighted average interest rate on the year-end balance of loans is stated for the average interest rate.
2. The average interest rate is omitted for lease obligations because the lease obligations recorded in the consolidated balance sheet is the amount before deducting the interest equivalent amount included in the lease payments.
3. The scheduled repayment amounts for long-term debt and lease obligations (excluding those to be repaid within one year) are as follows.

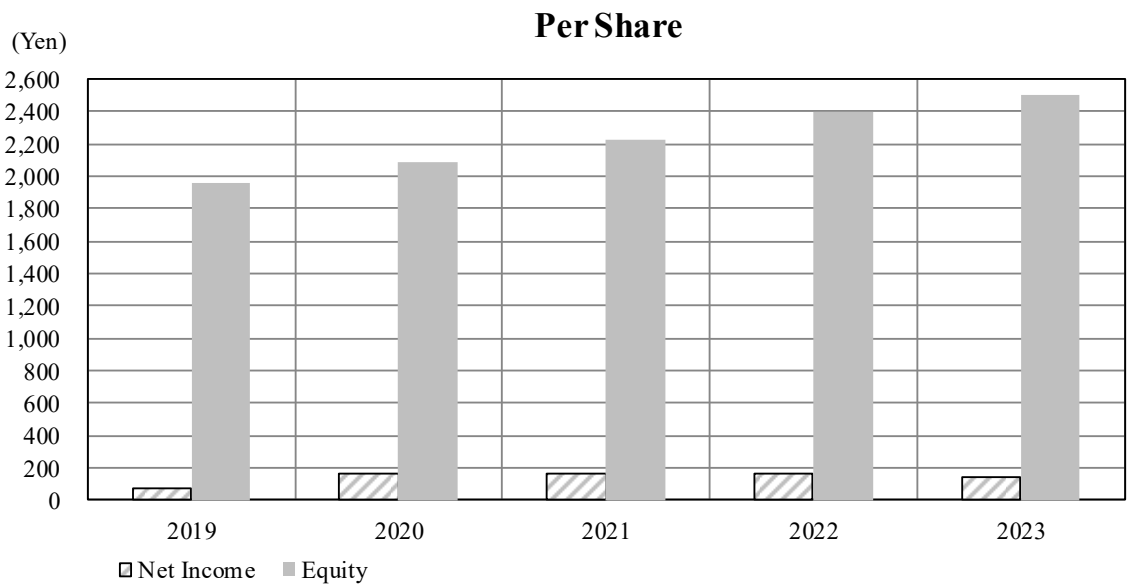
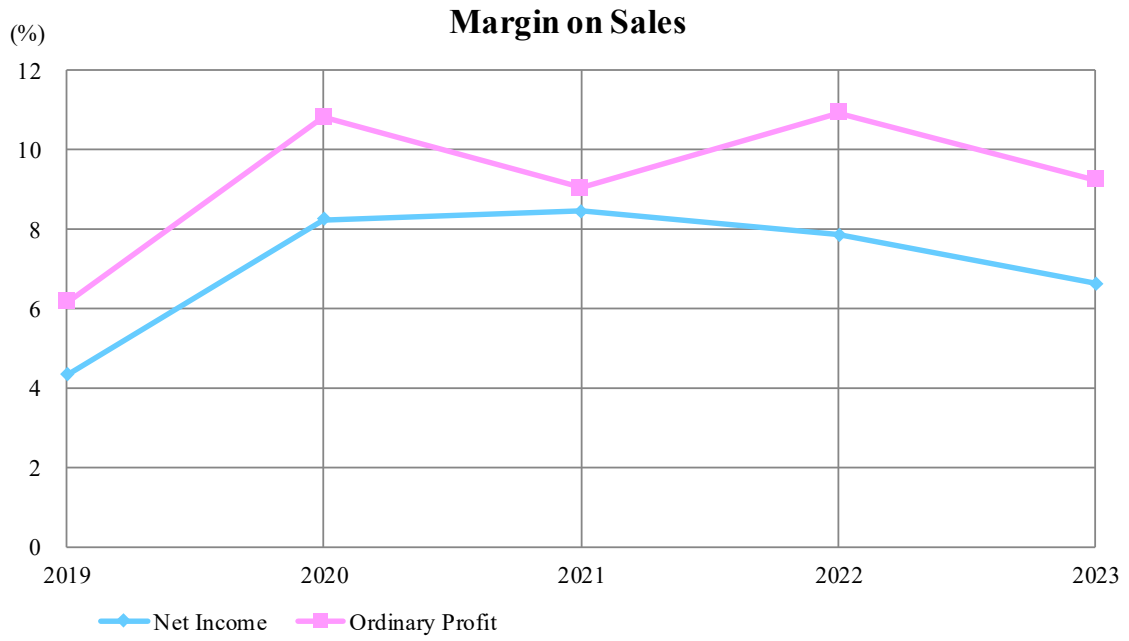
	More than one year to two years (Thousands of yen)	More than two years to three years (Thousands of yen)	More than three years to four years (Thousands of yen)	More than four years to five years (Thousands of yen)	More than five years (Thousands of yen)
Long-term debt	1,394,000	894,000	614,000	268,000	–
Lease obligations	5,957	1,781	309	–	–

[Schedule of asset retirement obligations]

Since the amount of asset retirement obligations at the beginning and the end of the fiscal year under review was 1/100 or less of the total of liabilities and net assets at the beginning and the end of the fiscal year under review, said obligations are omitted in accordance with the provisions of Article 92-2 of the Ordinance on Consolidated Financial Statements.

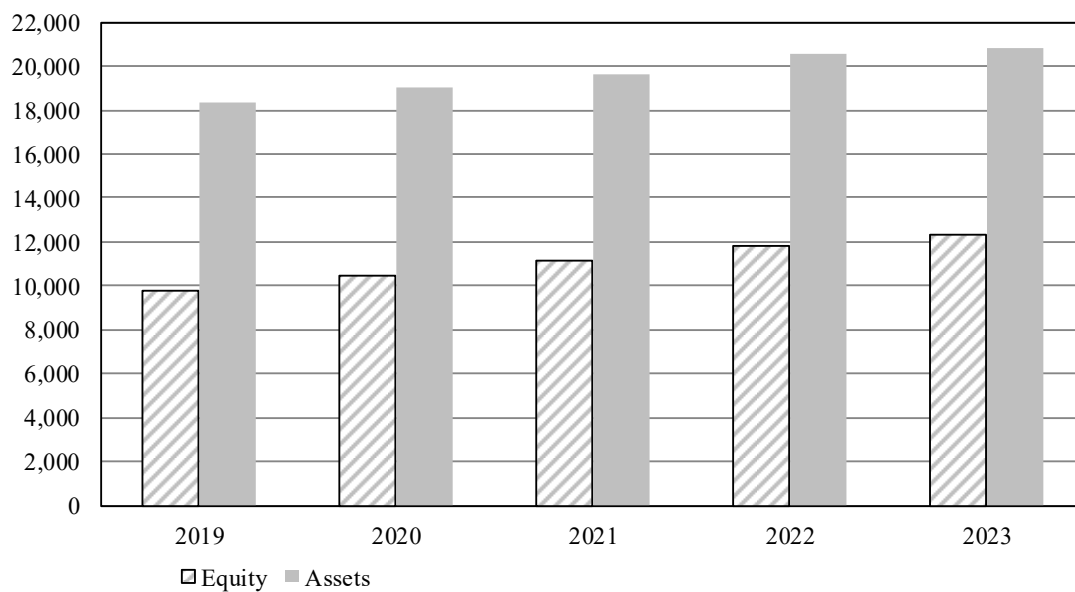
## XXI. Summary of Selected Financial Data (Graphs)





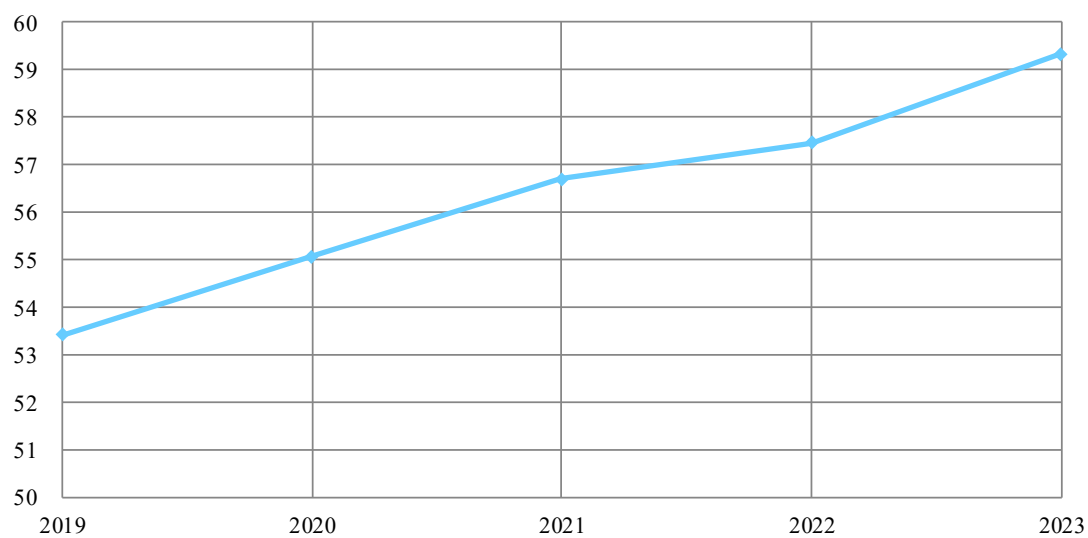
(Millions of yen)

### Equity and Assets

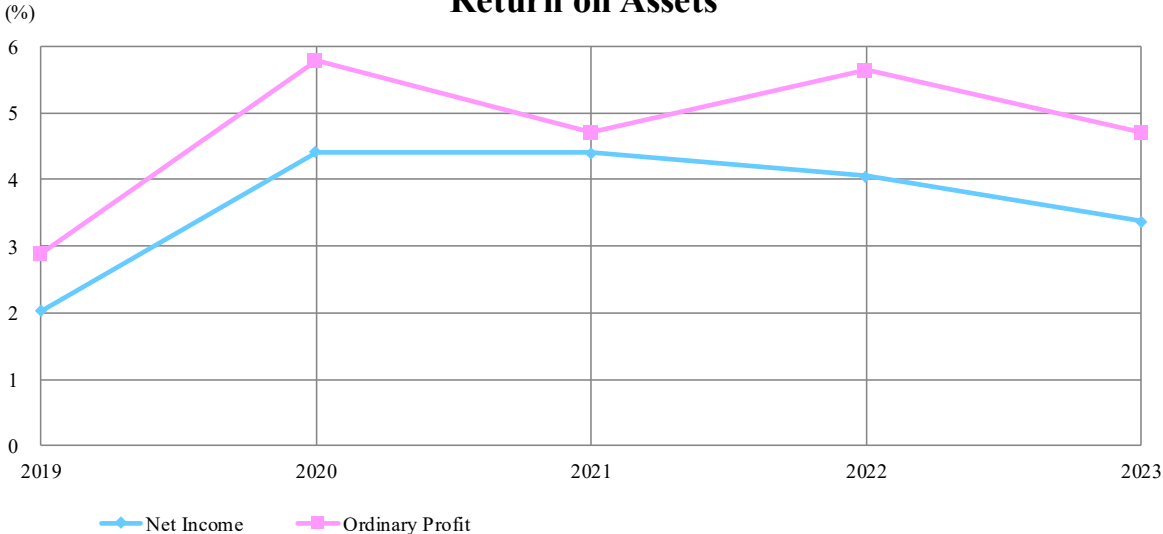


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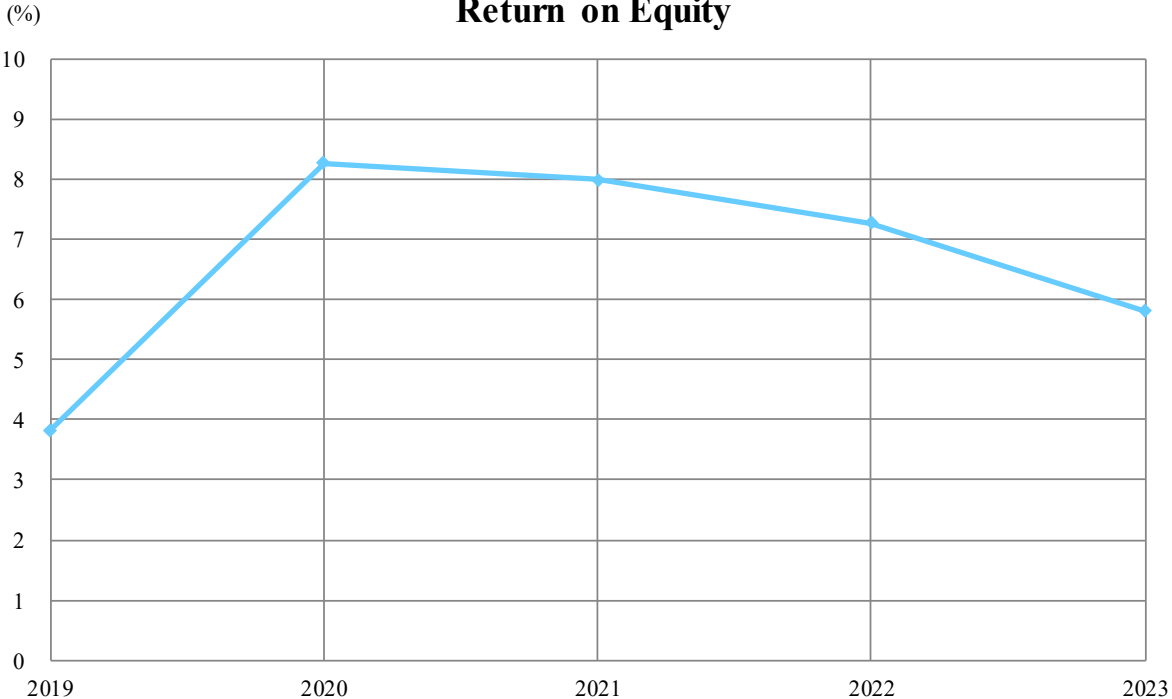
### Equity / Assets



### Return on Assets



### Return on Equity





## XXII. Consolidated Financial Statements

(1) Consolidated financial statements

1) Consolidated balance sheet

(Thousands of yen)

	As of December 31, 2022	As of December 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	2,386,383	2,978,794
Notes receivable - trade	977,940	501,672
Electronically recorded monetary claims - operating	1,126,572	1,507,071
Accounts receivable - trade	2,158,298	2,275,080
Merchandise and finished goods	922,150	748,067
Work in process	452,780	494,135
Raw materials and supplies	1,039,051	1,065,905
Others	186,679	207,928
Total current assets	9,249,857	9,778,657
Fixed assets		
Tangible fixed assets		
Buildings and structures	6,802,039	6,858,837
Accumulated depreciation	(3,785,823)	(3,977,549)
Buildings and structures, net	3,016,215	2,881,287
Machinery, equipment and vehicles	5,193,561	5,239,549
Accumulated depreciation	(4,729,339)	(4,853,125)
Machinery, equipment and vehicles, net	464,222	386,424
Land	5,922,018	5,926,819
Lease assets	500,121	291,855
Accumulated depreciation	(370,057)	(214,266)
Lease assets, net	130,064	77,589
Construction in progress	36,979	57,766
Others	2,254,417	2,319,231
Accumulated depreciation	(2,138,181)	(2,210,750)
Others, net	116,235	108,481
Total tangible fixed assets	9,685,735	9,438,369
Intangible fixed assets		
Lease assets	5,019	3,137
Others	51,323	45,447
Total intangible fixed assets	56,343	48,584
Investments and other assets		
Investments in securities	105,145	119,424
Deferred tax assets	500,989	464,336
Directors' retirement benefit insurance premiums	868,756	871,589
Others	105,172	100,084
Allowance for doubtful accounts	(4,000)	(4,000)
Total investments and other assets	1,576,065	1,551,435
Total fixed assets	11,318,143	11,038,388
Total assets	20,568,000	20,817,046

(Thousands of yen)

	As of December 31, 2022	As of December 31, 2023
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	304,423	272,768
Short-term loans payable	1,445,000	1,425,000
Current portion of long-term debt	1,140,000	1,394,000
Lease obligations	112,333	52,513
Accounts payable - other	223,042	169,590
Accrued expenses	228,613	224,566
Income taxes payable	249,277	84,930
Provision for bonuses	417,000	377,000
Provision for directors' and corporate auditors' bonuses	55,600	48,000
Others	235,347	274,084
Total current liabilities	4,410,637	4,322,454
Long-term liabilities		
Long-term debt	3,374,000	3,170,000
Provision for directors' and corporate auditors' retirement benefits	759,300	796,700
Provision for stock benefits	92,082	102,493
Provision for directors' stock benefits	32,797	37,016
Asset retirement obligations	16,200	17,040
Lease obligations	60,562	8,048
Others	3,675	10,942
Total long-term liabilities	4,338,618	4,142,240
Total liabilities	8,749,255	8,464,695
<b>Net assets</b>		
Shareholders' equity		
Common stock	674,265	674,265
Capital surplus	549,779	549,779
Retained earnings	10,702,266	11,177,045
Treasury stock	(282,204)	(279,082)
Total shareholders' equity	11,644,107	12,122,007
Other comprehensive income		
Valuation difference on available-for-sale securities	36,053	49,305
Deferred gains or losses on hedges	(930)	(5,434)
Foreign currency translation adjustment	139,514	186,471
Total other comprehensive income	174,637	230,343
Total net assets	11,818,745	12,352,350
<b>Total liabilities and net assets</b>	<b>20,568,000</b>	<b>20,817,046</b>

2) Consolidated statement of income and consolidated statement of comprehensive income  
Consolidated statement of income

(Thousands of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Net sales	10,604,143	10,587,126
Cost of goods sold	5,611,400	5,747,446
Gross profit on sales	4,992,743	4,839,680
Selling, general and administrative expenses	3,808,210	3,832,057
Operating income	1,184,532	1,007,623
Nonoperating income		
Interest income	372	631
Dividend income	3,565	3,867
Commissions received	14,659	13,472
Temporary assigned personnel payments received	3,206	1,726
Subsidy income	20,703	–
Foreign exchange gains	–	4,516
Others	7,993	7,532
Total nonoperating income	50,501	31,747
Nonoperating expenses		
Interest expenses	42,699	45,764
Foreign exchange losses	14,635	–
Others	17,480	14,581
Total nonoperating expenses	74,815	60,346
Ordinary profit	1,160,218	979,024
Extraordinary losses		
Loss on retirement of fixed assets	138	130
Total extraordinary losses	138	130
Net income before taxes and other adjustments	1,160,079	978,894
Corporate, inhabitant and enterprise taxes	363,664	240,153
Deferred taxes	(36,697)	37,614
Total income taxes	326,967	277,768
Net income	833,112	701,125
Net income attributable to owners of parent	833,112	701,125

Consolidated statement of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Net income	833,112	701,125
Other comprehensive income		
Valuation difference on available-for-sale securities	23,679	13,252
Deferred gains or losses on hedges	22,059	(4,504)
Foreign currency translation adjustment	125,087	46,957
Total other comprehensive income	170,826	55,705
Comprehensive income	1,003,939	756,831
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,003,939	756,831
Comprehensive income attributable to non-controlling interests	—	—

3) Consolidated statement of changes in net assets

Fiscal year ended December 31, 2022 (January 1, 2022 through December 31, 2022)

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current term	674,265	542,646	10,053,632	(161,241)	11,109,303
Cumulative effects of changes in accounting policies			(7,277)		(7,277)
Restated balance	674,265	542,646	10,046,355	(161,241)	11,102,025
Changes in items during the term					
Dividends from retained earnings			(177,201)		(177,201)
Net income attributable to owners of parent			833,112		833,112
Purchase of treasury stock for stock benefit trust				(57,402)	(57,402)
Disposal of treasury stock for stock benefit trust				2,081	2,081
Purchase of treasury stock				(115,911)	(115,911)
Disposal of treasury stock		7,133		50,269	57,402
Other changes in non-shareholders' equity items during the term (net)					-
Total changes during the term	-	7,133	655,911	(120,962)	542,081
Balance at end of current term	674,265	549,779	10,702,266	(282,204)	11,644,107

	Other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total other comprehensive income	
Balance at beginning of current term	12,374	(22,989)	14,426	3,811	11,113,114
Cumulative effects of changes in accounting policies					(7,277)
Restated balance	12,374	(22,989)	14,426	3,811	11,105,836
Changes in items during the term					
Dividends from retained earnings					(177,201)
Net income attributable to owners of parent					833,112
Purchase of treasury stock for stock benefit trust					(57,402)
Disposal of treasury stock for stock benefit trust					2,081
Purchase of treasury stock					(115,911)
Disposal of treasury stock					57,402
Other changes in non-shareholders' equity items during the term (net)	23,679	22,059	125,087	170,826	170,826
Total changes during the term	23,679	22,059	125,087	170,826	712,908
Balance at end of current term	36,053	(930)	139,514	174,637	11,818,745

Fiscal year ended December 31, 2023 (January 1, 2023 through December 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current term	674,265	549,779	10,702,266	(282,204)	11,644,107
Changes in items during the term					
Dividends from retained earnings			(226,347)		(226,347)
Net income attributable to owners of parent			701,125		701,125
Disposal of treasury stock for stock benefit trust				3,121	3,121
Other changes in non-shareholders' equity items during the term (net)					-
Total changes during the term	-	-	474,778	3,121	477,900
Balance at end of current term	674,265	549,779	11,177,045	(279,082)	12,122,007

	Other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total other comprehensive income	
Balance at beginning of current term	36,053	(930)	139,514	174,637	11,818,745
Changes in items during the term					
Dividends from retained earnings					(226,347)
Net income attributable to owners of parent					701,125
Disposal of treasury stock for stock benefit trust					3,121
Other changes in non-shareholders' equity items during the term (net)	13,252	(4,504)	46,957	55,705	55,705
Total changes during the term	13,252	(4,504)	46,957	55,705	533,605
Balance at end of current term	49,305	(5,434)	186,471	230,343	12,352,350

#### 4) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
<b>Cash flows from operating activities</b>		
Net income before taxes and other adjustments	1,160,079	978,894
Depreciation	594,433	490,009
Increase (decrease) in provision for directors' and corporate auditors' retirement benefits	38,900	37,400
Increase (decrease) in provision for bonuses	62,000	(40,000)
Increase (decrease) in provision for directors' and corporate auditors' bonuses	11,100	(7,600)
Increase (decrease) in provision for stock benefits	7,624	10,410
Increase (decrease) in provision for directors' stock benefits	3,700	4,218
Interest income	(372)	(631)
Dividend income	(3,565)	(3,867)
Interest expenses	42,699	45,764
Decrease (increase) in notes and accounts receivable	(405,816)	(21,013)
Decrease (increase) in inventory	(594,136)	115,372
Increase (decrease) in notes and accounts payable	59,182	(32,994)
Others	(44,199)	(52,836)
Subtotal	931,630	1,523,125
Interest and dividend income	3,938	4,499
Interest expenses	(43,997)	(46,946)
Income taxes and others	(272,618)	(398,935)
Net cash provided by operating activities	618,952	1,081,743
<b>Cash flows from investing activities</b>		
Payments for acquisition of tangible fixed assets	(167,215)	(194,799)
Proceeds from sale of tangible fixed assets	2,948	–
Others	(19,935)	(11,455)
Net cash provided by (used in) investing activities	(184,203)	(206,254)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(20,000)	(20,000)
Proceeds from long-term debt	1,400,000	1,400,000
Payments of long-term debt	(1,233,500)	(1,350,000)
Purchase of treasury stock	(173,313)	–
Proceeds from sale of treasury stock	57,402	–
Dividends	(176,856)	(225,484)
Others	(145,711)	(112,333)
Net cash provided by (used in) financing activities	(291,979)	(307,818)
Effect of exchange rate fluctuations on cash and cash equivalents	55,743	24,740
Increase (decrease) in cash and cash equivalents	198,513	592,410
Cash and cash equivalents at beginning of term	2,187,870	2,386,383
Cash and cash equivalents at end of term	2,386,383	2,978,794

## XXIII. Corporate Data

### Basic Information (As of December 31, 2023)

Trade name:	KOKEN LTD.
Established:	May 1943
Listed market:	Standard Market of Tokyo Stock Exchange (Securities Code: 7963)
Listed:	December 2004
Fiscal year:	From January 1 to December 31
Capital stock:	674 million yen
Number of employees:	287 persons (Consolidated)
Head office:	7, Yonbancho, Chiyoda-ku, Tokyo
Telephone:	+81(3)(5276)(1911)
Consolidated subsidiaries:	SIAM KOKEN LTD.

### Directors and Corporate Auditors (As of March 30, 2023)

Representative Director, Chairman	Masakazu Sakai
Representative Director, President	Tsutomu Murakawa
Representative Director, Executive Vice President	Nobuya Horiguchi
Senior Managing Director	Mitsuji Muramatsu
Senior Managing Director	Fumikazu Tanaka
Managing Director	Hideaki Ibata
Director	Toshiaki Nagasaka
Director, Advisor	Hiroyuki Sakai
Director*	Shinobu Sakurai
Standing Corporate Auditor	Toshio Akiyama
Standing Corporate Auditor	Yoshihiro Ito
Corporate Auditor**	Teruo Shinato
Corporate Auditor**	Nikko Haku

\* Outside Director    \*\* Outside Corporate Auditor

### Stock Status (As of December 31, 2023)

Total number of authorized shares:	20,000,000 shares
Total number of issued shares:	5,104,003 shares
Number of shareholders:	2,355



## Major shareholders (Top 10)

Name	Number of shares held (Thousands)	Shareholding ratio (%)
Sakai CHS Foundation	600	11.93
Masakazu Sakai	591	11.75
Hiroyuki Sakai	559	11.12
Resona Bank, Limited	244	4.86
Kaori Sakai	229	4.56
Rie Sakai	229	4.56
Mizuho Bank, Ltd. (Standing proxy: Custody Bank of Japan, Ltd.)	227	4.53
Miho Kuboi	226	4.49
Haruna Yamanaka	226	4.49
JPMorgan Securities Japan Co., Ltd.	109	2.17