

## Corporate Governance

### Conversation between Chairman and Outside Directors Governance Structure and Initiatives to Increase Corporate Value



**Kinuko Hayashi**

Outside Director  
Audit and Supervisory Committee Member

**Yutaka Fukushima**

Chairman

**Hiroshi Takeuchi**

Outside Director  
Audit and Supervisory Committee Member

Following the GALILEI Group's adoption of a holding company structure in April 2025, the chairman of the board, who also chairs the meetings of the board of directors, and two outside directors had a conversation about the changes in the GALILEI Group's governance, governance-related challenges, and efforts to increase the Group's corporate value.

#### 1 Changes in the GALILEI Group's governance and its growth

**Takeuchi:** Our business results remained relatively stable until around 2010, but they've gradually improved since then. If you look back on the history of corporate governance in Japan, you notice that there were many legal reforms made and regulatory requirements imposed from around 2010. To respond to these changes, the GALILEI Group took various measures, which include appointing outside directors, establishing the Nomination Advisory Committee and the Remuneration Advisory Committee, and converting into a company with an audit and supervisory committee. In my view, managing a business requires both offensive and defensive (oversight) strategies. Our business performance has improved as our governance has been strengthened. It seems to me that we have made good progress.

**Hayashi:** Governance was first institutionalized after corporate misconduct became known to the public, and because of that people tend to think that the purpose of governance is to prevent misconduct or improper behavior. However, it's important to recognize that governance plays a more significant role than that. Governance is a framework or a set of practices that ensures business leaders effectively manage their business operations. The same principle applies to products as well. Just because a defect is removed from a product, it doesn't mean that the product will be more attractive. It's

possible that a framework designed to prevent bad things from happening may also prevent good things from happening. A classic example of this is when people stop embracing challenges because they're reluctant to take risks. If we look at all these points, I think the GALILEI Group has developed a good governance framework and steadily grown its business by taking on numerous challenges.

**Fukushima:** GALILEI CO. Ltd. became a holding company in April this year, and I think our governance has changed significantly. GALILEI now has a new board of directors, and it's totally different from the previous one. The board of directors of FUKUSHIMA GALILEI implemented governance, which was centered around FUKUSHIMA GALILEI, but now we have a framework that allows us to uniformly govern all group companies. We've further separated oversight and execution, and the holding company plays a pivotal role in governance. Having said that, this new framework hasn't been fully communicated, and to move in the right direction, we still have many things to consider, such as the structure and functions of committees.

**Takeuchi:** All group companies in the GALILEI Group were capable of managing their operations independently. When they brought their respective strengths together, they created group synergy and formed a stronger organization. I'm optimistic that shifting to a holding company structure and strengthening it will enable us to achieve even more significant growth.

## 2 Challenges the GALILEI Group faces as it grows

**Hayashi:** I think as the Group expands, it's more difficult to instill our corporate philosophy in the employees. The GALILEI Group has many guiding principles, such as the corporate philosophy, the employee code of conduct, the purpose, and

the GALILEI Philosophy, but the degree of how much these principles are understood by the employees may vary. It seems to me that many new employees simply think the corporate philosophy means the Four Rules of Happiness and the purpose means "Leading the way for the future of food and life." The corporate philosophy is a guiding principle that the employees can rely on when they make a decision, and the purpose represents our vision we aim for in order to create shared value among the employees. It's impossible to make a rule for controlling the actions of all employees. In my opinion, the corporate philosophy is thought to be fully instilled in the employees if they refer back to it for guidance before they make a decision or take action or when they don't know what to do.

**Fukushima:** I spent over a decade developing our corporate philosophy, based on which the president formulated our purpose. Many of our employees joined the GALILEI Group as mid-career hires, and I agree that we should make them fully aware of our corporate philosophy and purpose. After we adopted a holding company structure, we set up a committee within the Group called the Group Strategy Committee. We hope to communicate the purpose more widely to the employees and to foster a movement among them or change their mindsets so that they will perceive the purpose as something that matters to them.



From my 40 years of experience in managing the Group, I feel that a corporate or workplace culture is of paramount importance. To create a good corporate culture, a corporate philosophy is essential, and based on the corporate philosophy, we should define and achieve our purpose.

**Takeuchi:** I recognize that the GALILEI Group has steadily improved its business performance, but I also feel that we need to do more with regard to non-financial aspects, such as compliance. Regrettably, FUKUSHIMA GALILEI received administrative guidance from the Japan Fair Trade Commission in the previous fiscal year and caused inconvenience and concern to our business partners and other stakeholders. We've taken corrective measures to deal with this incident, but I suspect there may be some latent risks that may become known later. The question is how we can determine whether such risks exist. To do that, we need clear communication from top management, and we need to raise the awareness of relevant departments as well as properly monitor the situation.

## Role of the board of directors

**Fukushima:** It's important to create a narrative to sustain our growth, and I think this is an important role of the board of

directors. I want the GALILEI Group to be resilient to societal changes. I don't want the Group to succumb to them. I also think that the board of directors should function more effectively. I hope to see the board members more actively engage in discussions on medium- to long-term subjects.

**Hayashi:** The role of the board of directors is to set the company's general direction. I think the board should discuss, based on market analysis, financial analysis, and corporate value assessment, which business area the company should focus on and how to allocate its resources, such as people, assets, capital, and information, in order to achieve its vision and to take it in the desired direction.

**Takeuchi:** The GALILEI Group started assessing the effectiveness of the board of directors in 2020. If we look at the data for the last six years, we notice that the effectiveness of the board of directors improved considerably when we were converted from a company with an audit and supervisory board into a company with an audit and supervisory committee, but the effectiveness declined slightly in the last two years. It may have something to do with the recent incident of misconduct, or it may be that the board of directors itself has matured. I think this reflects the board members' increased awareness of their duty to do more as they engage in repeated discussions about the GALILEI Group's growth and capital costs.



## 4 In an effort to increase our corporate value

**Hayashi:** Developing governance is about building a framework where top management and employees put their heads together and work closely with confidence to make new products and services. I'd like to offer my service, as an outside director, to monitor the process of building this framework, and to provide advice, support, and sometimes constructive criticism, to ensure the GALILEI Group meets the expectations of consumers, employees, business partners, society, and shareholders. I'm also ready to use my expertise as a certified public accountant to analyze the Group's strengths and weaknesses and to identify opportunities to create corporate value. I'll provide support in the development of a good management framework so that the GALILEI Group improves its competitiveness and more shareholders assess the company from a long-term perspective.

**Takeuchi:** They say that an outside director plays both a monitoring role and an advisory role, but personally I think an advisory role is more important. I do monitoring as part of my

advisory role. To increase corporate value, non-financial assets and PBR or other indicators should be improved, and, in my opinion, human resources development is key to achieving this. I'll continue to perform monitoring effectively as I've done before, and I hope to give valuable advice as well.

**Fukushima:** What I'm keenly aware now is that as a company grows in size, its social responsibility becomes much greater. I think the company's supply responsibility is particularly important. Sourcing materials, selling products, carrying out construction and installation work properly, and providing after-sales service: these are routine business processes we tend to take for granted, but we should carefully double-check every stage of these processes. Two years ago, we identified material issues in order to consider how we could contribute to our society in the course of our business operations. By continuing our efforts, we are committed to fulfilling our social responsibility and improving our corporate value.



# Corporate Governance

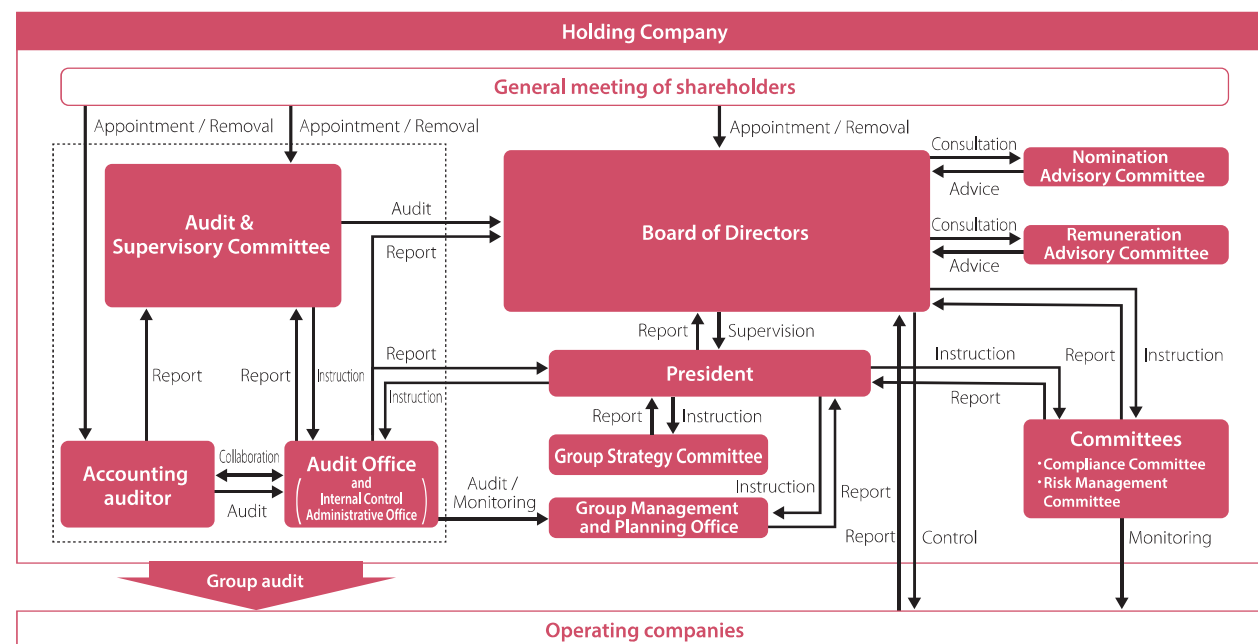
## Fundamental policy

The GALILEI Group is dedicated to promoting fair corporate activities with a strong focus on management transparency. Our goals are to achieve sustainable growth rooted in the trust of society, and to enhance our corporate value over the medium to long term.

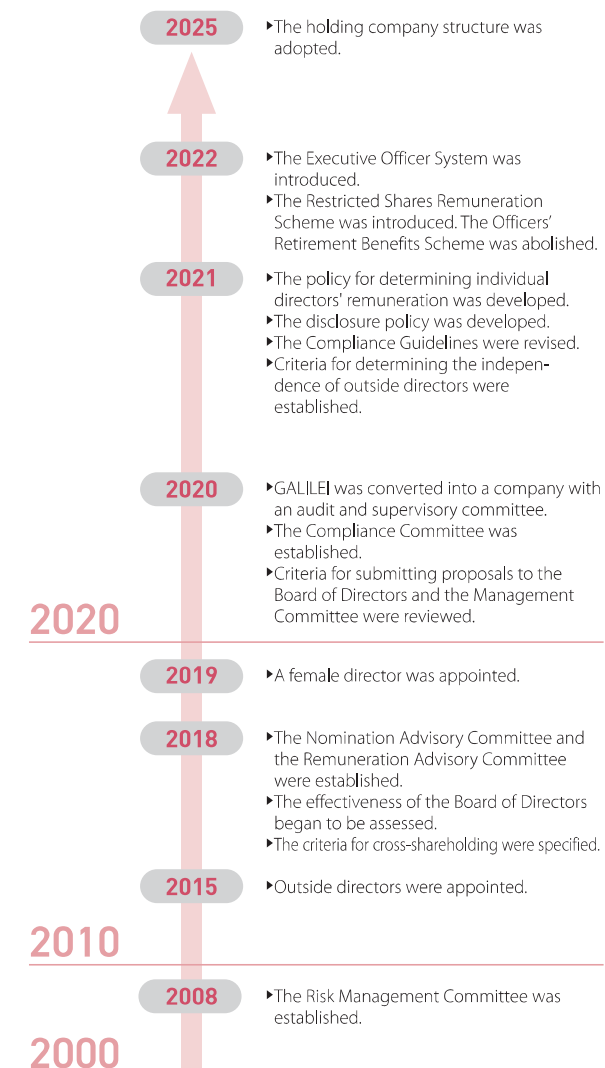
## Corporate governance system

We have transitioned to a company with an Audit and Supervisory Committee. This change aims to enable faster, more flexible decision-making processes and strengthen oversight. It also enhances discussions on business management strategies. We have established the Nomination Advisory Committee and the Remuneration Advisory Committee, primarily composed of independent outside directors, to review officer nomination and remuneration. This is to ensure objectivity and transparency in the nomination and remuneration decision-making process.





(As of November 2025)











## Progress in Strengthening Corporate Governance



## Composition of Board of Directors and Committees and Their Roles

Structure	Role	Percentage of directors / No. of meetings held
<b>Board of Directors</b>  <b>Inside directors: 4    Outside directors: 4</b>	<p>The Board of Directors has oversight of the decision-making process for important matters and the execution of directors' job duties across the Group. The Board of Directors meets once a month and holds a special board meeting as needed.</p> <p>Main discussion topics</p> <ul style="list-style-type: none"> <li>• Matters relating to business management plans, budgets, financial reporting, etc.</li> <li>• Matters relating to organization and human resources</li> <li>• Important matters relating to the Group's business execution</li> <li>• Matters relating to internal control and risk management</li> <li>• Matters relating to the sustainability policy</li> </ul>	<p><b>Percentage of outside directors</b> <b>50%</b></p> <p><b>Percentage of female directors</b> <b>12.5%</b></p> <p><b>Chairman of meetings of the Board of Directors</b> Chairman of the Board of Directors</p> <p><b>Number of board meetings held in FY2024</b> <b>13</b></p>
<b>Audit and Supervisory Committee</b>  <b>Inside director: 1    Outside directors: 4</b>	<p>The Audit and Supervisory Committee audits the execution of job duties by the president and other directors. It also oversees the development and implementation of the internal control system.</p> <p>Main discussion topics</p> <ul style="list-style-type: none"> <li>• Audit policies and audit reports</li> <li>• Directors' decision-making process, including the legality, appropriateness, adequacy, and rationality of their decisions</li> <li>• Development and implementation of the compliance and risk management frameworks</li> </ul>	<p><b>Percentage of outside directors</b> <b>80%</b></p> <p><b>Percentage of female directors</b> <b>20%</b></p> <p><b>Committee chairman</b> Audit and supervisory committee member</p> <p><b>No. of committee meetings held in FY2024</b> <b>15</b></p>
<b>Nomination Advisory Committee</b>  <b>Inside director: 0    Outside directors: 3</b>	<p>The Nomination Advisory Committee serves as the advisory body to the Board of Directors to ensure objectivity and transparency in the process of appointing or removing directors and executive officers. The Committee screens candidates based on their competency and aptitude, and the Board selects them based on the Committee's recommendations.</p> <p>Main discussion topics</p> <ul style="list-style-type: none"> <li>• Recommendations for director candidates</li> <li>• Details of the skills matrix</li> <li>• Recommendations for executive officer candidates</li> </ul>	<p><b>Percentage of outside directors</b> <b>100%</b></p> <p><b>Committee chairman</b>    Outside director</p> <p><b>No. of committee meetings held in FY2024</b> <b>4</b></p>
<b>Remuneration Advisory Committee</b>  <b>Inside director: 1    Outside directors: 2</b>	<p>The Remuneration Advisory Committee serves as the advisory body to the Board of Directors to ensure the objectivity and transparency in the process of determining directors' remuneration.</p> <p>Main discussion topics</p> <ul style="list-style-type: none"> <li>• Design of the Officer Remuneration Scheme</li> <li>• Total remuneration of directors (excluding audit and supervisory committee members)</li> </ul>	<p><b>Percentage of outside directors</b> <b>67%</b></p> <p><b>Committee chairman</b>    Outside director</p> <p><b>No. of committee meetings held in FY2024</b> <b>1</b></p>

## Officers and Skills Matrix

									
Name		Yutaka Fukushima	Go Fukushima	Akira Fukushima	Takeshi Horinouchi	Kinuko Hayashi	Hiroshi Takeuchi	Takao Fujikawa	Keiichi Yodoshi
Title		Chairman	President	Director and Vice President	Director and Full-Time Audit and Supervisory Committee Member	Director and Full-Time Audit and Supervisory Committee Member	Director and Audit and Supervisory Committee Member	Director and Audit and Supervisory Committee Member	Director and Audit and Supervisory Committee Member
Attendance at board meetings (FY2024)		11 times / 13 times	13 times / 13 times	13 times / 13 times	13 times / 13 times	—	13 times / 13 times	13 times / 13 times	13 times / 13 times
Attendance at Audit and Supervisory Committee meetings (FY2024)		—	—	—	15 times / 15 times	—	15 times / 15 times	15 times / 15 times	15 times / 15 times
Nomination Advisory Committee	Position in the Committee	—	—	—	—	—	Committee member	Committee chairman	Committee member
	Attendance (FY2024)	—	—	—	—	—	4 times / 4 times	4 times / 4 times	4 times / 4 times
Remuneration Advisory Committee	Position in the Committee	Committee member	—	—	—	—	Committee member	—	Committee member
	Attendance (FY2024)	One time / One time	—	—	—	—	One time / One time	—	One time / One time
Number of shares held (as of the end of March 2025)		1,969,000 shares	199,000 shares	1,354,000 shares	20,000 shares	—	110,000 shares	0 share	4,000 shares
Expertise, experience, and knowledge directors are expected to possess	Business management	●	●	●	●	●	●	●	●
	Marketing and sales	●	●	●	●		●	●	
	Manufacturing, research and development, and IT	●	●	●	●				●
	International relations		●	●		●		●	●
	Finance and accounting	●				●	●	●	
	Personnel and human resources development	●		●			●		
	Legal and risk management	●				●	●	●	●
	Addressing sustainability <sup>*1</sup>	●	●	●	●				●
	Embracing the GALILEI Philosophy <sup>*2</sup>	●	●	●	●	●	●	●	●

<sup>\*1</sup> For GALILEI, addressing sustainability involves making strategic efforts to address the sustainability of society and the global environment. This includes focusing on areas such as diversity, environmental stewardship, and resources, encompassing both ESG and CSR activities. Our aim is to be recognized as a "Happiness Creation Company."

<sup>\*2</sup> The GALILEI Philosophy represents our universal guiding principles, which include our corporate philosophy, vision, and code of conduct. We expect our officers to fully embrace this philosophy and act as positive role models for our employees.

### Executive Officers

Name	Kenji Nagao	Atsushi Honma	Tatsuo Hino	Manabu Oda	Tomokazu Naruta	Yoshinori Kojima	Yoshiyuki Yanagihara	Shinsuke Jinnai
Title	Executive Officer of Group Production Management and Quality Assurance Executive Managing Director FUKUSHIMA GALILEI CO. LTD.	Executive Officer of Group Technology Director FUKUSHIMA GALILEI CO. LTD.	Executive Officer of Group Administration Director FUKUSHIMA GALILEI CO. LTD.	Executive Officer of ST Operations Director FUKUSHIMA GALILEI CO. LTD.	Executive Officer President TAKAHASHI GALILEI CO. LTD.	Executive Officer President GAULEI PANEL CREATE CO. LTD.	Executive Officer of Group Finance and M&A Executive Officer FUKUSHIMA GALILEI CO. LTD.	Executive Officer of Food Service Operations Executive Officer FUKUSHIMA GALILEI CO. LTD.

## Remuneration of Directors and Other Officers

We have adopted the "Policy for Determining Remuneration and Other Payments for Individuals" by a resolution of the meeting of the Board of Directors held on April 1, 2025. Remuneration of our directors is linked to shareholder returns to ensure that it fully serves as an incentive to sustainably increase the company's value. It is our policy to use appropriate criteria for determining each director's remuneration, which take into account their roles and responsibilities.

Types of remuneration	Brief description	Maximum limit of remuneration
Basic remuneration	Basic remuneration is comprehensively reviewed and determined according to each director's job position, roles and responsibilities, and length of holding office. The company's performance and the employee wage levels are also taken into consideration. Basic remuneration is paid as a fixed amount on a monthly basis.	Not more than ¥200 million  (which includes a maximum of ¥30 million per year for outside directors)
Performance-linked remuneration	Performance-linked remuneration is paid to executive directors as a bonus at a designated time each year. The amount is calculated based on specific criteria that take each director's job position, roles, and responsibilities, among other factors, into consideration, and consolidated operating profit for each business year is used as a performance indicator.	Not more than ¥200 million
Non-monetary remuneration	Non-monetary remuneration is given as restricted shares remuneration in order to provide an incentive to sustainably increase the company's value and shareholder returns. The Board of Directors sets the timing for non-monetary remuneration payments.	Not more than ¥150 million  (which includes a maximum of ¥12 million per year for outside directors)

### Total remuneration (FY2024 actuals)

Directors and other officers	Total remuneration (¥, millions)	Total remuneration by type (¥, millions)			Number of eligible directors / officers
		Basic remuneration	Performance-linked remuneration	Non-monetary remuneration	
Directors (excluding Audit and Supervisory Committee members and outside directors)	410	107	195	107	7
Audit and Supervisory Committee members (excluding outside directors)	15	13	—	2	1
Outside directors	34	31	—	3	4
<b>Total</b>	<b>459</b>	<b>152</b>	<b>195</b>	<b>112</b>	<b>12</b>

## Assessment of the Effectiveness of the Board of Directors

We assess the effectiveness of the Board of Directors to improve its performance and decision-making capabilities. We conduct the assessment annually at a designated time and report the assessment results to the Board of Directors for analysis, discussion, and review.

### FY2024 assessment and results

Summary of assessment results	<b>Assesseees:</b> All 11 directors (including audit and supervisory committee members) holding office as of the end of FY2024 <b>Assessment method:</b> Anonymous survey with 24 questions
Key questions	The Board of Directors' composition, discussion, operation, and support system
Assessment results	The assessment found the Board of Directors to be largely effective. We believe the Board of Directors remains effective overall. We will address the findings of this assessment and make improvements accordingly.

### Issues identified and actions taken

Issues identified	Actions taken
Medium- to long-term capital policy	We made a cash allocation plan for the next three years and reviewed the dividend policy in May 2025.
Internal control and risk management	We increased the frequency of reports made from the Audit Office, the Compliance Committee, and the Risk Management Committee to the Board of Directors in this fiscal year to strengthen the holding company's internal control and risk management.
Meeting efficiency	Following the transition to a holding company structure, we reviewed the rules and discussions of the Board of Directors.
Business successor planning	The Board of Directors will continue to discuss this issue as it has not yet held sufficient discussions about it.

# Compliance

The GALILEI Group is committed to maintaining compliance efforts to ensure that all officers and employees continue to adhere to applicable laws and regulations, as well as the Group's various rules and regulations, and act responsibly in accordance with social norms and business ethics.

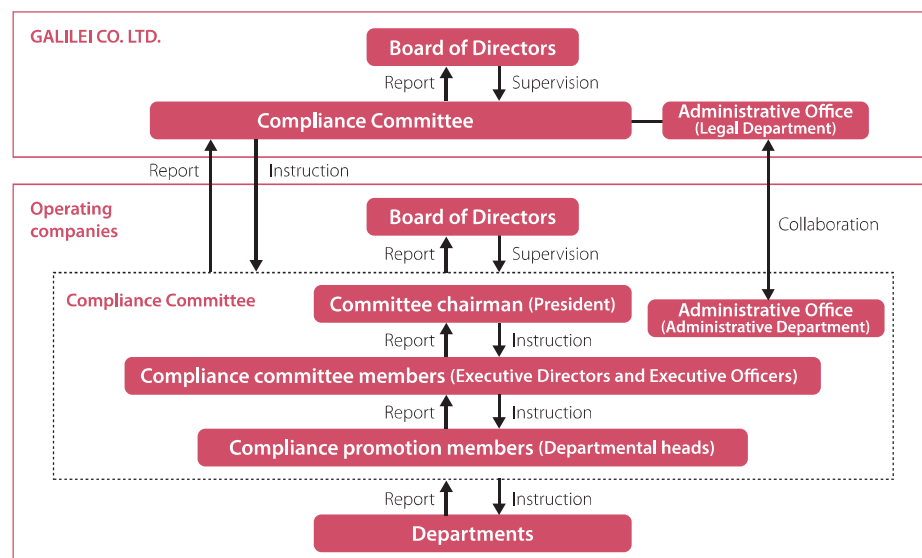
## Compliance Promotion Framework

We have established a Compliance Committee both at GALILEI CO. LTD. and at its operating companies to advance our compliance efforts.

The Compliance Committee at GALILEI CO. LTD., chaired by the president, formulates the Group's compliance policy and action plans, based on which the Compliance Committee at each operating company develops and implements its own action plan. This structure ensures that compliance efforts are promoted effectively across the GALILEI Group.

Quarterly reports on the operating companies' compliance activities are organized by the Compliance Committee Administrative Office of GALILEI CO. LTD. and presented to the Board of Directors.

### Compliance promotion framework



## Enhanced compliance initiatives

To ensure adherence to laws and regulations, business ethics, and our company rules during the course of business operations, we have established a set of Compliance Guidelines. These guidelines serve as a code of conduct, outlining the fundamental principles and standards that must be followed by all employees. To reinforce the importance of these guidelines, we regularly conduct compliance training for all employees of the GALILEI Group.

This training is designed to ensure that every member of our team is thoroughly informed about, and familiar with, the Compliance Guidelines. We ensure that, in addition to new staff training and level-specific training for managerial staff, compliance training is included in role-specific training conducted by the GALILEI Academy and the Sales Academy. We also provide regular training for our suppliers and vendors. Training about specific topics that we organize from time to time, such as the Subcontract Act, helps our employees to improve their knowledge of laws and regulations, and 14 topic-specific training sessions were held in FY2024.

In addition, we regularly publish Compliance Newsletters on our intranet, which explain internal rules that are relevant to everyday work and things that everyone should be aware of. This is part of our efforts to raise compliance awareness among employees. The Legal Department identifies the laws and regulations that we should be particularly aware of when we carry out business operations. If any of those laws and regulations are amended, the Legal Department will promptly notify the operating companies and instruct them to take necessary actions.

## Internal whistleblowing system

We have implemented an internal whistleblowing system to swiftly detect and address instances of fraud or corruption. This system includes both an external point of contact, provided by a law firm, and an internal contact point within our Internal Audit Department. Employees are able to raise their concerns anonymously. When a concern is raised or reported, the Internal Audit Department and other relevant departments initiate a prompt investigation to resolve the issue as quickly as possible. During the investigation, we take all necessary measures to protect the whistleblower's privacy and to ensure that the whistleblower is not unfairly treated, and we prohibit retaliation. To further promote compliance efforts and build even stronger relationships with business partners, we have also set up a Harassment Hotline handled by the Human Resources Department as well as a Compliance Hotline for our business partners to report concerns.



# Risk Management

The GALILEI Group effectively minimizes and manages risks associated with its business operations in accordance with its Risk Management Rule.

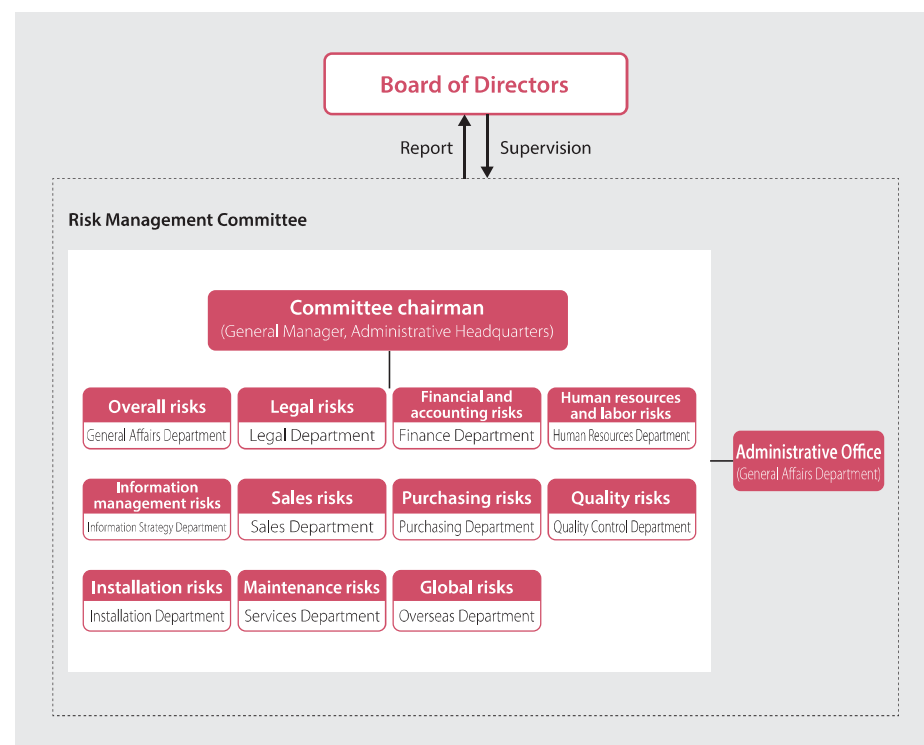
## Risk Management Promotion Framework

We have formed the Risk Management Committee to analyze, assess, and manage various risks that could negatively impact our business execution or resources.

Following the transition to the holding company structure, the Risk Management Committee has become a group-wide committee to maintain the Group's risk management efforts.

We report on risk management to the Board of Directors on a quarterly basis.

### Risk management promotion framework



## Risk Assessment

The Risk Management Committee identifies potential risks, prioritizes them, and develops mitigation strategies for those with the highest priority and impact.

### Major risks

Risk category	Challenge	Action
Risks associated with procurement	<ul style="list-style-type: none"> <li>Soaring raw material prices</li> <li>Supply disruptions due to natural disasters or business partners' operational problems</li> </ul>	<ul style="list-style-type: none"> <li>Consider central procurement of parts and materials.</li> <li>Increase in-house production of parts and materials.</li> <li>Purchase parts and materials from multiple sources.</li> </ul>
Risks associated with the management of the Group	<ul style="list-style-type: none"> <li>Inadequate control of the group companies</li> </ul>	<ul style="list-style-type: none"> <li>Set up a Group Management and Planning Office to consolidate information among group companies.</li> <li>Implement a common management system at each group company.</li> </ul>
Risks associated with human resources	<ul style="list-style-type: none"> <li>Shortages of contractors and supervisors for installations</li> <li>Employee turnover</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that the GALILEI Juku provides support for employees to obtain installation management qualifications.</li> <li>Ensure that the GALILEI Academy provides support for younger employees to improve their technical skills and play an active part in their workplace as soon as possible.</li> <li>Carry out regular employee engagement surveys.</li> </ul>
Risks associated with information security	<ul style="list-style-type: none"> <li>Information security breaches caused by cyber attacks, unauthorized access, or internal fraud</li> </ul>	<ul style="list-style-type: none"> <li>Improve vulnerability management and data protection.</li> <li>Provide training for both management and employees and raise their awareness.</li> </ul>
Risks associated with natural disasters	<ul style="list-style-type: none"> <li>Business disruptions</li> </ul>	<ul style="list-style-type: none"> <li>Perform hazard surveys when opening or relocating offices or factories.</li> <li>Conduct regular training.</li> </ul>