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Avant Group

Basic Policy on Corporate Governance

Chapter 1 General Provisions

(Basic Stance on Corporate Governance)

Article 1. The Company believes that the fundamental management view based on Japanese culture is to regard the Company as a "public institution". Therefore, we are proud to be a public entity and seek to develop as a company that contributes to our customers worldwide. We describe this activity as "creating a 100-year company" and have positioned it as our management vision since our founding.

For us, a "public institution" is an organization that (1) is not beholden to any particular stakeholder, (2) provides value to society, and (3) sustains and develops based on the growth of its people. VALUE, and These are expressed in the three words "OPEN, VALUE, and STRETCH" as our core values.

However, no matter how lofty the vision, it is meaningless without the awareness and actions of management. In fact, many of the events that actually threaten the survival of the company are due to management outbursts and laziness. Even a good manager may not be able to remain a self-disciplined leader of a public institution forever.

Therefore, we will continually seek to create the best possible environment in which all management and employees can thoroughly focus on creating value as a public entity through the study of corporate governance that prevents management runaway and negligence.

(Establishment, Revision and Abolition)

Article 2. This Basic Policy shall be established by the Board of Directors of the Company. The Board of Directors of the Company shall periodically review this Basic Policy and revise it from time to time in response to changes in the environment and other factors.

Chapter 2: Ensuring Shareholder Rights and Equality

(Ensuring shareholder rights and equality)

Article 3. The Company shall position the General Meeting of Shareholders as the highest decision-making body and shall create an environment in which shareholders can exercise their rights appropriately.

2 The Company will strive to enhance shareholder returns through such means as maintaining stable shareholder dividends while maintaining the internal reserves necessary to strengthen the Company's financial structure and future business development. To achieve this goal, we will establish key performance indicators and disclose them to shareholders in a timely manner.

3 The Company shall treat shareholders equally in the exercise of their voting rights at general meetings of shareholders and in the payment of dividends from surplus so that their rights are substantially secured in proportion to the nature and number of shares they hold.

(Related Party Transactions)

Article 4. In principle, the Company shall report related party transactions with directors, officers, subsidiaries, etc. to the Board of Directors, comply with relevant laws and regulations, and endeavor to ensure that such transactions do not harm the Company or the common interests of shareholders.

Chapter 3: Appropriate collaboration with stakeholders other than shareholders

(Appropriate collaboration with stakeholders other than shareholders)

Article 5. The Company shall consider the interests of its various stakeholders, including shareholders, employees, customers, business partners, and local communities, in order to permanently enhance its corporate value.

2 We shall strive to build a corporate culture that recognizes the diversity of our employees and allows them to exercise their creativity, to provide products and services that contribute to the enhancement of our customers' corporate value, and to continue to contribute to the development of society at large.

3 The Company shall establish an internal reporting system, in addition to the position-based reporting system, in order to promptly and appropriately respond to the occurrence of legal violations, etc.

Chapter 4 Appropriate Information Disclosure and Transparency

(Ensure appropriate information disclosure and transparency)

Article 6. The Company shall disclose important information (management, business, and financial) regarding the Company in a timely and appropriate manner in accordance with laws and regulations in order to promote understanding of the Company among all stakeholders and to gain appropriate evaluation and social trust by ensuring management transparency.

Chapter 5 Responsibilities of the Board of Directors, etc.

(Institutional design)

Article 7. The Company shall adopt the Company with Audit Committee System as the institutional design under the Companies Act, and shall introduce the Corporate Officer System in order to ensure an appropriate division of roles between supervision and execution.

(Roles of the Board of Directors and Directors)

Article 8. The Board of Directors shall select Directors, Directors who are members of Audit Committee and Corporate Officers, who shall make important management decisions, and supervise the execution of duties by the Directors and Corporate Officers.

- 2 The Company shall establish the Regulations of the Board of Directors to stipulate the important management decisions to be made by the Board of Directors. Important management decisions include the Group's management strategy, the Group's management plan, the Group's internal control system, the Group's important organizational and personnel matters, and business investment decisions that exceed a certain size.
- 3 Each director shall endeavor to ensure that the Board of Directors fully fulfills its responsibilities as set forth in Section 1.
- 4 The Company shall make decisions on matters that are legally determined to be the exclusive decision of the Board of Directors and on matters to be resolved by the Board of Directors as stipulated in the Board of Directors Regulations, and delegate other business execution authority to Representative Directors, Directors, Corporate Officers and heads of business management organizations.

(Composition of the Board of Directors)

Article 9. The number of Directors shall be limited to nine as provided in the Articles of Incorporation. In principle, at least half of these directors shall be outside directors.

2 In appointing directors, the Board of Directors shall have a well-balanced composition with knowledge and expertise in diverse fields in order to ensure the effectiveness of the Board of Directors.

(Criteria for Selection and Dismissal of Candidates for Directors and Nomination Procedures, etc.)

Candidates for the Company's Board of Directors shall be those who meet the following criteria, while giving due consideration to their knowledge, experience, ability and diversity.

(i) Those who have a good understanding of our company's management philosophy and are committed to it.

(ii) Extensive knowledge of company management.

(iii) Sufficiently qualified to make decisions on important business matters of the company as a member of the board of directors.

(iv) Contribute to strengthening the checks and balances and monitoring functions among directors and help ensure the effectiveness of the Board of Directors.

2. In addition to the criteria set forth in the preceding paragraph, the Company's outside directors shall satisfy the independence criteria set forth in Article 15.

3 Candidates for Directors shall be selected in accordance with the provisions of this Article, and shall be nominated after deliberation and decision by the Board of Directors.

4 Directors, excluding those who are members of the Audit Committee, shall serve for a term of one year. Reappointment shall not be precluded.

5 The Board of Directors shall propose a proposition for the dismissal of a director if it finds that the director has committed an act that meets the following criteria for the submission of a proposition for the dismissal of a director.

(i) In the event of any act in violation of laws and regulations or the Articles of Incorporation, or any act that may lead to such violation (ii) When it becomes clear that each of the requirements for the appointment of directors is lacking. (iii) If there is any other reason that is deemed not to meet the requirements for nomination as a director.

(Role of Directors who are members of the Audit Committee)

Article 11. Directors who are members of the Audit Committee shall, as an independent body entrusted by shareholders, audit the execution of duties by Directors and Corporate Officers for the purpose of contributing to sound and fair management of the Company and to earn the trust of society.

(Composition of the Audit Committee)

Article 12. The number of Directors who are members of the Audit Committee shall be limited to five as provided in the Articles of Incorporation. Of these, at least a majority shall be outside directors who are members of the Audit Committee.

(Requirements for Appointment of Directors who are members of Audit Committee and Nomination Procedures, etc.)

Article 13. Directors who are members of the Audit Committee of the Company shall be persons who have the ability to perform their duties as members of the Audit Committee, have past performance and experience, and are capable of contributing to the establishment of a high-quality corporate governance system that will ensure the sound and sustainable growth of the Company and respond to social trust through the implementation of high-quality audits.

- 2 Outside Directors who are members of Audit Committee of the Company shall be those who satisfy the independence criteria set forth in Article 15 in addition to the requirements set forth in the preceding paragraph.
- 3 Candidates for Directors who are members of the Audit Committee shall be selected in accordance with the provisions of this Article and determined by the Board of Directors with the consent of the Audit Committee. The Audit Committee may select candidates for Directors who are members of the Audit Committee.
- 4 All Directors who are members of the Audit Committee shall serve for a term of two years as provided for in the Articles of Incorporation. Reappointment shall not be precluded.

(Requirements for Appointment of Corporate Officer and Nomination Procedures, etc.)

Article 14. The Corporate Officer of the Company shall be a person who can be responsible for the execution of the business of the Company, taking into consideration his/her past performance, experience, personality, etc.

- 2 The Corporate Officer of the Company shall be selected in accordance with the provisions of this Article and determined by the Board of Directors.

(Independence Criteria for Outside Directors)

Article 15. Outside directors shall be deemed to be independent if, as a result of an investigation to the extent reasonably possible by the Company, it is determined that none of the following items applies to the outside director or outside director who is a member of the Audit and Supervisory Committee

- ① Any person who is currently, or has been for the past 10 years, an executive officer (executive director, executive officer, corporate officer, employee, or servant) of the Company or its subsidiaries or affiliates (collectively, the "Company Group").
- ② Persons who directly or indirectly hold 10% or more of the total voting rights of the Company or their executive officers
- ③ Persons with whom our Group has major transactions (Note 1) or with whom our Group has major transactions (Note 1), or their business executors
- ④ A person who receives a large amount of money or other financial benefits (Note 2) in addition to remuneration as a director or executive officer in exchange for providing professional services to our Group as a consultant, lawyer, certified public accountant, certified tax accountant, etc.
- ⑤ Persons who receive donations or grants exceeding 15 million yen per year from our group or their executive officers
- ⑥ Persons belonging to an auditing firm that is the Group's accounting auditor
- ⑦ Executives of companies to which the Group's executives are appointed as directors
- ⑧ Those who fall under (2) to (7) above in the past three years.
- ⑨ Spouse or relative up to the second degree of kinship of a person falling under (1) to (8) above

(Note 1) Major transactions are those involving the transfer of more than 2% of annual consolidated net sales or loans exceeding 2% of consolidated total assets.

(Note 2) "Large amount" means that, in the case of an individual who provides professional services, the annual profit received from the Minebea Group, excluding directors' remuneration, exceeds 15 million yen in the most recent fiscal year, or, in the case of a corporation, partnership, or other organization that provides professional services, the annual profit received from the Minebea Group exceeds 2% of the annual gross income of the organization in the most recent fiscal year or 15 million yen, whichever is higher. In the case of an organization such as a corporation, partnership, etc., the amount of profits received from our group in the most recent fiscal year exceeds 2% of the organization's total annual income or 15 million yen, whichever is higher.

(Evaluation of the effectiveness of the Board of Directors)

Article 16. The Company shall analyze and evaluate the effectiveness of the Board of Directors as a

whole on an annual basis based on each director's self-evaluation.

- 2 The Company shall disclose the status of Board of Directors meetings and the activities of independent outside directors and outside corporate auditors as required by law.

(Policy on Determination of Directors' Remuneration)

Article 17. The Company shall have a Compensation Advisory Committee as an advisory body to the Board of Directors.

- 2 The Compensation Advisory Committee shall, in consultation with the Board of Directors, deliberate on matters concerning directors' remuneration and other matters, and report to the Board of Directors. The Board of Directors shall make its decisions with due regard to the opinions of the Compensation Advisory Committee.

- 3 Members of the Compensation Advisory Committee shall be appointed by resolution of the Board of Directors. There shall be three committee members. Of these, at least half shall be independent outside directors. The chairman of the Compensation Advisory Committee shall be selected by resolution of the Compensation Advisory Committee from among its members who are independent outside directors.

(Executive compensation structure)

Article 18. Remuneration for full-time directors and corporate officers shall consist of fixed remuneration and performance-linked remuneration.

- 2 Remuneration for non-executive directors shall consist of a fixed amount.
- 3 Remuneration for Directors who are members of the Audit Committee shall be determined through consultation among the Directors who are members of the Audit Committee.

(Method of governing business subsidiaries)

Article 19. The Company shall govern its operating subsidiaries by stipulating the basic principles of their management in the "Affiliate Company Management Regulations".

- 2 The Company shall stipulate basic matters concerning business management of its operating subsidiaries through various Group regulations, and manage the progress of business performance and other matters.
- 3 The Company shall establish basic matters concerning compliance and risk management for the Group through various Group regulations, and shall work across the Group to ensure compliance and manage risks.

4 The Company shall support and promote the development of internal control systems of its operating subsidiaries and conduct regular internal audits by the Internal Audit Office to ensure their effectiveness.

5 The executive compensation system of business subsidiaries shall ensure "transparency," "fairness," and "objectivity."

(Training policy for board members)

Article 20. The Company shall provide training for Directors, Directors who are members of the Audit Committee, and Corporate Officers to acquire knowledge as necessary to fulfill their required roles and responsibilities. In addition, the Company shall continuously provide outside directors and outside directors who are members of the Audit Committee with necessary information regarding the Company's business, finances, organization, etc., and create an environment in which they can effectively fulfill their roles and responsibilities.

Chapter 6: Dialogue with Shareholders

(Policy on Constructive Dialogue with Shareholders)

Article 21. The Company shall endeavor to develop a system in accordance with the following basic policy to promote constructive dialogue with shareholders.

(i) The Company shall ensure that the Group CFO oversees all activities for dialogue with shareholders and that personnel in charge of investor relations are assigned to plan and implement all such activities.

(ii) The Company shall provide accurate and unbiased information to shareholders through the cooperation of IR personnel in cooperation with relevant departments during dialogues with shareholders, such as earnings announcements and investor meetings.

(iii) The Company shall take necessary measures to promote the exercise of rights by domestic and foreign shareholders by enhancing the means of constructive dialogue with shareholders, providing notices of convocation of general meetings of shareholders and information related to shareholders and investors with English translations, based on the status of shareholdings and the opinions of shareholders.

(iv) The Company shall regularly organize and analyze opinions received in dialogue with shareholders and report them to the Board of Directors.

(v) In accordance with the "Insider Information Management Rules" established by a resolution of the Board of Directors, the Company shall thoroughly manage undisclosed material facts and engage in dialogue with shareholders without using undisclosed material facts.

March 23, 2016 Resolution of the Board of Directors

February 17, 2021 Chapter 5, Article 10, Chapter 5, Article 15 revised.

March 17, 2021 Revised Chapter 5, Article 17 and Chapter 5, Article 18, Section 3.

September 27, 2022 Articles 7, 8, 10.4, 11, 12, 13, 15, 18.3, and 20 revised due to changes in institutional design