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Nitto Boseki Co, Ltd.

Hiroyuki Tada, Representative and Chief Executive Officer

Contact: Corporate Communication Department

Securities Code: 3110

<https://www.nitto.co.jp/eng/index.html>

The corporate governance of Nitto Boseki Co., Ltd (the “Company”) is described below.

## I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

### 1. Basic Views

The Nittobo Group (the “Group”) constantly revises corporate governance with the aim of creating a fair and highly transparent management organization in order to conduct business activities with emphasis on social trust from the Nittobo Group’s shareholders, investors and other stakeholders.

The Company introduced an executive officer system in June 2003 and has created a system able to maximize the effect of consolidated management by invigorating the Board of Directors and speeding up decision making. Since June 2008, management has been conducted by further clarifying the functions and roles of management and business execution.

In addition, with the approval of the Ordinary General Meeting of Shareholders on June 26, 2014, the Company shifted to a company with Nomination Committee, etc. By doing so, the Company further clarified the separation of supervision from execution and has aims to strengthen supervisory functions, ensure highly transparent management, execute business swiftly, and increase the flexibility of management. Furthermore, by establishing a system that enables it to more precisely meet the expectations of stakeholders, such as customers, shareholders, suppliers, and employees, the Company will work to further enhance its corporate value.

### [Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company complies with all of the principles in the Corporate Governance Code revised June 2021.

### [Disclosure Based on the Principles of the Corporate Governance Code]

[Principle 1-4 Cross-shareholdings]

<Policy regarding Cross-shareholdings>

Regarding to the holding shares of listed companies, the Company holds shares under its policy on cross-shareholding in cases where it deems such shareholding to be beneficial for building favorable trading relationship with important trading partners of the Group in fields including sales, raw material procurement and finance, smoothly advancing business activities of the Group, and enhancing corporate value in the Group. However, when the Company deems that there is insufficient reason to hold shares of a particular issuing company in its cross-shareholding from the perspective of the sustainability and growth of the Group’s corporate value, the Company will sell those share while paying attention to the effect on the market, and so forth.

<Method for assessing relational for holding shares>

The Company reviews the holding policy for shares of each issuing company individually at a meeting of the Board of Directors on a periodic basis, comprehensively considering qualitative factors such as the materiality of transactions, and the maintaining or establishment of favorable trading relationships, etc., i.e. sales and purchases, the existence of any technological cooperation or joint capital investment, whether there are any joint ventures underway, or financing arrangements, and a quantitative evaluation that compares the total return on investment, calculated by considering dividend yield and business profit, against the cost of capital. Based on such reviews, the Company sold one listed company shares worth 2,516 million yen in fiscal year 2022, and 18 different company shares worth 15,320 million yen in the six-year period from fiscal year 2017.

<Exercise of voting rights associated with cross-shareholdings>

The Company will appropriately exercise its voting rights associated with cross-shareholdings after consideration of whether such issuing company has established an effective governance structure and is making appropriate decisions to improve its corporate value over the medium-to long-term, as well as whether such shareholdings will contribute to enhancing the Group's corporate value.

[Principle 1-7 Related Party Transactions]

The Company requires that competitive transactions or conflict-of-interest transactions involving Directors or Executive Officers are discussed and approved at the Board of Directors. Moreover, the Company requires that transactions involving major shareholders, etc. are conducted fairly and appropriately, and where necessary, are approved after being discussed at Executive Committee, etc.

[Supplementary Principle 2-4-1 Ensuring Workforce Diversity]

<Ensuring workforce diversity>

The Group believes it is important to value and harness the capabilities and views of every employee. In line with that thinking, the whole Group strives to create an environment and organizational culture that is motivating for all employees based on respect for different people, regardless of gender, age, sexual orientation and gender identity, disability and other individual identities. In addition, believing that human resources are the driving force supporting the Company's sustainable growth, the Group promotes the use of diverse personnel, including offering management positions without discrimination of gender, nationality, or mid-career status.

Among such activities, the Group considers initiatives to foster environments and organizational culture that enables women to demonstrate the capabilities as one of its most important management issues. While actively hiring new female graduates, the Group will strategically train and promote female personnel for management positions, and aims for the ratio of female in management positions to be 10% by 2030 (5.0% in the fiscal year 2022). Currently, the local personnel member serves as President of the major overseas subsidiary, Nittobo America Incorporated, and the Group continues to promote foreign personnel. In addition, currently a considerable number of employees who entered the company mid-career are serving in management positions and they are demonstrating their skill and experience in the Company. Going forward, the Company plans to continue to hire a certain number of mid-career personnel to bring greater vibrancy to the organization and ensure personnel with professional skills.

<Policies on personnel development and improvement of work environments inside the Company aimed at securing diversified personnel and the progress status thereof>

In order for each employee to be able to demonstrate their abilities to the maximum extent, there needs to be systems and structures that allow employees to shape their own career paths, regardless of their gender or nationality. Taking such a stance, in its initiatives for personnel development, the Company supports employee growth and focuses its energies into building systems, offering opportunities for learning, improving the quality of management, and fostering environments and organizational culture in order to enable diverse personnel attain achievements via various workstyles.

Meanwhile, in order to be an attractive workplace for employees, the Company is actively undertaking initiatives to realize flexible workstyles, such as flextime system and work-from-home system to improve the quality of life and employees' engagement, and to enhance work-life balance support programs such as childcare and nursing care, etc.

For childcare leave in particular, the Company has established a system for two-weeks paid leave from fiscal year 2021. Targets related to the above-mentioned initiatives and results in fiscal year 2022 are as follows:

<Targets and results>

Indicators	Targets (Note 1)	Results (Fiscal year 2022) (Note 1)
Percentage of female employees in management positions	10.0% by fiscal year 2030	5.0%
Percentage of male employees who have taken childcare leave	Maintain percentage at 30.0% or higher	47.1%
Wage gap between male and female employees	Wages of female employees at 80% or higher of the wages of male employees in the comparison between all employees by fiscal year 2030 * There is no difference in the treatment of male and female employees in the personnel system	77.1%
Employee engagement score	58.5% by fiscal year 2023 * Increase of 30% from the score of 45% in fiscal year 2019	53.0%

Note 1: Among the targets and results, “Percentage of female employees in management positions,” “Percentage of male employees who have taken childcare leave” and “Wage gap between male and female employees” are figures from Nitto Boseki Co., Ltd.

For details on the Company’s policy on human resources development, please refer to the Integrated Report.  
[https://www.nittobo.co.jp/eng/ir/library/integrated\\_report.htm](https://www.nittobo.co.jp/eng/ir/library/integrated_report.htm)

[Principle 2-6 Roles of Corporate Pension Funds as Asset Owners]

The Company has adopted a fund-type corporate pension based on the Defined-Benefit Corporate Pension Act for its corporate pension. The staff of the Nittobo Corporate Pension Fund consists of seconded employees from the Nittobo Group, and personnel are purposefully rotated to ensure the administration and operation of the corporate pension fund is performed appropriately. Moreover, the board of governors and board of representatives whose members have been selected by election by the Company and the labor union regularly holds meetings to strive for the appropriate operation of the corporate pension and conduct checks of the operational status and investment activities of the fund management trustees. The Company demands that the fund management trustees should perform appropriate stewardship activities, and every fund management trustee has formulated policies to fulfill their responsibilities.

[Principle 3-1 Full Disclosure]

- (1) The Group has published its corporate philosophy and the Nittobo Declaration, which expresses the Group’s values in easy-to-understand language based on the corporate philosophy, on the Company’s website. The Group has also formulated the Mid-Term Business Plan, which is published on the Company’s website.
- (2) The Company’s basic views on corporate governance are stated in “1. Basic Views,” of section I of this report.
- (3) The procedures for determining the remuneration of the Company’s Directors and Executive Officers are operated under the framework of a company with a Nomination Committee, etc. The policy for remuneration of Directors and Executive Officers is determined at the Remuneration Committee whose majority of members are External Directors, and individual remuneration is determined in line with that policy. The Company describes its basic policy for remuneration in the Notice of the General Meeting of Shareholders, and the Annual Securities Report (both are published on the Company’s website; Annual Securities Report is in Japanese only).
- (4) Under the framework of a company with a Nomination Committee, etc., the candidates for Director for proposals to be submitted to a General Meeting of Shareholders regarding the election of candidates for Director, or the dismissal of Directors, are determined at the Nomination Committee, whose majority of

members are External Directors. The Nomination Committee selects those candidates deemed most suitable based on their personal qualities, insight, etc. Moreover, the appointment or dismissal of Executive Officers is determined by the Board of Directors, in line with the provisions of the Companies Act. Adopting the approach of finding persons most suitable for the job, the Company chooses persons suitable for the execution of the Company's business from the perspective of enhancement of business execution and corporate value.

- (5) When proposing the election of a Director candidate at a General Meeting of Shareholders, the Company states the reason for nomination of a candidate for Director in the reference documents included in the Notice of the General Meeting of Shareholders. The Company mails the Notice of the General Meeting of Shareholders to all shareholders and also publishes it on the Company's website.

The Board of Directors appoints Executive Officers after providing adequate explanation of the reason for each Executive Officer's appointment at the Board of Directors pursuant to the standards for appointment of Executive Officers stated in (4) above.

[Supplementary Principle 3-1-3 Disclosure of sustainability initiatives, etc.]

The Company is promoting "Actions for Environment Issues" and "Human Resources Development" as the priority measures of its sustainability initiatives, and the details including investments in intellectual property are provided in the Mid-Term Business Plan and the Integrated Report. In addition, the Company announced its endorsement of the TCFD recommendations in May 2022. In line with this, the Company is disclosing the risks and revenue opportunities pertaining to climate change under the framework recommended by TCFD, and providing the details on the Company's website. The Company plans to further enhance its disclosure based on this framework.

Mid-Term Business Plan	<a href="https://ssl4.eir-parts.net/doc/3110/ir_material_for_fiscal_ym3/94830/00.pdf">https://ssl4.eir-parts.net/doc/3110/ir_material_for_fiscal_ym3/94830/00.pdf</a>
Integrated Report	<a href="https://www.nittobo.co.jp/eng/ir/library/integrated_report.htm">https://www.nittobo.co.jp/eng/ir/library/integrated_report.htm</a>
Website	<a href="https://www.nittobo.co.jp/eng/sustainability/environment/climate_change.html">https://www.nittobo.co.jp/eng/sustainability/environment/climate_change.html</a>

[Supplementary Principle 4-1-1 Outline of the Scope of Delegation to the Management]

Since the Company is a company with a Nomination Committee, etc., the Company's Board of Directors delegates to Executive Officers as much authority as allowed by laws and regulations for making operational decisions. This contributes to the speed and flexibility of managing business operations.

The Company's Board of Directors makes decisions about items regarding basic policies of management that can be determined only by the Board of Directors according to laws and regulations, and items that will have a significant impact on the Group's management, including investments over a certain amount.

[Principle 4-8 External Directors]

The Company actually appoints four External Directors.

[Principle 4-9 Independence Criteria for External Directors]

If an External Director of the Company does not fall under any of the following items, that External Directors is deemed to have independence.

1. Any party whose major client or supplier is the Company or any of its subsidiaries, or executive of that party.
2. Any party that major client or supplier is the Company or any of its subsidiaries, or executive of that party.
3. A consultant, certified public accountant or other accounting professional, or an attorney at law or other legal professional who has been paid substantial amounts of money or other financial benefits other than Directors' or other corporate officers' remuneration paid by the Company (or if the party receiving such financial benefits is an incorporated entity, partnership or other organization, then persons belonging to such organization).
4. A party who has fallen under any of the items in 1 to 3 above in the most recent year.
5. A relative within the second degree of kinship of a party who falls under any of the following sub-items
  - (a) to (c) (excluding unimportant positions).
    - (a) Party mentioned in 1 to 4
    - (b) Executive of a subsidiary of the Company
    - (c) A party who has fallen under (b) or an executive of the Company in the most recent year

[Supplementary Principle 4-11-1 View on the balance between knowledge, experience and skills on the Board of Directors as a whole, and also on diversity and board size]

To ensure a system by which the whole of the Board of Directors is able to suitably supervise the execution of the Company's business, the basic policy is to have the Board of Directors comprised of Internal Directors, who have capabilities and insight with respect to respective business and overall management, and External Directors, who are in number at least the same as Internal Directors and are able to provide valuable opinions concerning the enhancement of governance, etc. from the multiple perspective of the stakeholders. Then the number of the Board of Directors is specified no more than 12 members in its Article of Incorporation. Actually, the Board of Directors consists of seven members, including four External Directors.

The Company defines the fields of Directors' knowledge, experience and capability that are considered important for the Company from the perspective of company management as "corporate management," "technology and R&D," "sales and marketing," "global business," "finance and accounting," "legal affairs and risk management," "HR, labor resources, personnel development." The Company aims to ensure the Board of Directors is made up of personnel who possess the appropriate insight and abundant experience in each of these fields. The Company intends to review these fields as deemed appropriate, giving suitable attention to the external environment and circumstances of the company.

A skill matrix of the Directors is presented in the Convocation Notice of the Ordinary General Meeting of Shareholders.

[https://www.nittobo.co.jp/eng/ir/library/general\\_meeting.htm](https://www.nittobo.co.jp/eng/ir/library/general_meeting.htm)

[Supplementary Principle 4-11-2 Status of Concurrent Position of Directors]

When nominating the Director candidates, the Nomination Committee examines and decides the candidates, giving consideration to their concurrent positions at other companies. Each year, the Company discloses the status of significant concurrent positions outside the Company for each Director candidate and Director in the reference documents included in the Notice of the General Meeting of Shareholders, and in disclosure documents such as the Business Report, etc.

[Supplementary Principle 4-11-3 Self-evaluation concerning the effectiveness of the Board of Directors]

The composition, operation, supervision, support structure, shareholder dialogue, etc. of the Company's Board of Directors are analyzed and evaluated by the Board of Directors based on evaluations by each Director by implementing surveys using external attorneys.

In response to the opinions expressed in the evaluation concerning the effectiveness of the Board of Directors in fiscal year 2021 that Directors did not have sufficient opportunity to grasp the front line situation through business site and plant visits due to the COVID-19 pandemic, and that it would be desirable to continue to undertake a full review of group governance, the following actions were taken in fiscal year 2022.

- After taking sufficient measures to prevent infection of COVID-19, we enhanced opportunities for Directors to visit each business site and plant, etc. and to exchange opinions with on-site employees. In addition, several lectures by outside experts were held to deepen the understanding of the Company's business among Directors.
- Discussions were held on the topic of the Company's group governance at the preliminary briefings.

In the survey summarizing fiscal year 2022, the average evaluation score for all items was four or more out of five, indicating that the effectiveness of the Board of Directors was extremely highly evaluated by both Internal and External Directors of the Company.

The Company will continue to make improvement to ensure the Board of Directors performs supervisory functions further.

[Supplementary Principle 4-14-2 Policy for Training of Directors]

The Company provides opportunities to External Directors, as necessary to allow them to acquire the required knowledge on the Group's businesses, through plant tours, etc. in order to allow them to adequately fulfill their functions. In addition, the Company provides necessary support to the other Directors and Executive Officers for them to undertake self-study.

[Principle 5-1 Policy for Constructive Dialogue with Shareholders]

1. The Corporate Communication Officer is responsible for general dialogue with shareholders, and the Corporate Communication Department is the internal department responsible for providing assistance thereto. The Company endeavors to have opportunities for dialogue with shareholders that contribute to the sustained growth and enhancement of medium-to long-term corporate value of the Company centered on Executive Officers. Furthermore, departments involved in IR activities centered on the Corporate Communication Department work to coordinate among departments on a daily basis.
2. We will continue to endeavor to disclose information in a timely and appropriate manner to enable the Nittobo Group's customers, shareholders and investors to accurately recognize and judge the actual state of the Nittobo Group. In order to achieve this, we comply with laws, regulations and securities exchange rules on disclosure, and are engaged in the creation and operation of an appropriate disclosure system.
  - (a) We publish items specified for the disclosure in Japanese and foreign laws, regulations and securities exchange rules in Business Reports, Annual Securities Reports and communications to shareholders, and announce them in securities exchange communication systems and press releases.
  - (b) In principle, we publish information being disclosed on the Nittobo Group's website, and also endeavor provide fairer and broader disclosure.
  - (c) We conduct briefings for analysts and institutional investors promptly after the announcement of quarterly financial results.
  - (d) We publish an integrated report that integrates financial information and non-financial information, including CSR, in order to provide a better understanding of the Nittobo Group's medium-to long-term value creation framework.
3. Opinion and concerns, etc., about the Company that are learned through dialogue with shareholders and investors are collated by the Corporate Communication Department, reported to the Executive Officer in charge of the Corporate Communication Department, and appropriately provided as feedback to management executives and the Board of Directors by means of reporting to the Executive Meeting, etc. on a quarterly basis.
4. Adequate care is given to insider information in individual inquiries and dialogue with the Nittobo Group, and explanations are limited to information that has already been published and facts that are well known.

[Action to implement management that is conscious of cost of capital and stock price (under review)]

The Group has set forth the challenge of improving capital efficiency as part of its basic policies of the current Mid-Term Business Plan (FY2021–2023), and it is undertaking initiatives aimed at achieving that through reinforcement of the management foundation and implementation of growth strategies. Moreover, in the financial results presentation for the fiscal year ended March 31, 2023 (disclosed on May 12, 2023), the Group set forth the management indicator targets of ROE of 8% or more and ROIC of WACC or higher as basic policies when reviewing the next Mid-Term Business Plan, and the Group will continue to undertake initiatives to achieve sustainable growth and improvement of corporate value over the medium and long term.

(Please refer to page 22 “Basic Policies for the Next Mid-Term Business Plan”)

[https://ssl4.eir-parts.net/doc/3110/ir\\_material\\_for\\_fiscal\\_ym3/135174/00.pdf](https://ssl4.eir-parts.net/doc/3110/ir_material_for_fiscal_ym3/135174/00.pdf)

## 2. Capital Structure

Percentage of Foreign Shareholders	From 20% to less than 30%
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### [Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	4,194,400	11.47
Custody Bank of Japan, Ltd. (Trust account)	2,542,100	6.95
Sumitomo Realty & Development Co., Ltd.	2,383,400	6.51
Nippon Life Insurance Company	1,614,785	4.41
The Dai-ichi Life Insurance Company, Limited	1,316,000	3.60
Sumitomo Life Insurance Company	1,082,400	2.96
Air Water Inc.	997,200	2.73
The Toho Bank, Ltd.	905,243	2.47
Aioi Nissay Dowa Insurance Co., Ltd.	890,686	2.43
Mizuho Bank, Ltd.	800,000	2.19

Controlling Shareholder (except for Parent Company)	-
Parent Company	None

Supplementary Explanation

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## 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, Prime Market
Fiscal Year-End	March
Type of Business	Glass & Ceramics Products
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥10 billion to less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

## 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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## 5. Other Special Circumstances which may have Material Impact on Corporate Governance

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## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with Nomination Committee, etc.
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	12
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board <input type="checkbox"/> Updated	Chairman (excluding the case where the person concurrently serves as Representative and Chief Executive Officer)
Number of Directors	7

#### [External Directors]

Number of External Directors	4
Number of Independent Directors	4

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Sadayoshi Fujishige	From another company											
Hiroshi Kagechika	From another company											
Agasa Naito	Lawyer											
Yasuharu Nakajima	CPA											

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others



External Directors' Relationship with the Company (2)

Name	Membership of Committees	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Sadayoshi Fujishige	Nomination / Remuneration / Audit	○		<p>Mr. Sadayoshi Fujishige has a wealth of experience and a high level of insight as a top manager of listed companies. He attends meetings of the Board of Directors, the Nomination Committee, the Remuneration Committee, and the Audit Committee and as Chairman of the Nomination Committee he actively expresses opinions. In this way, he plays an appropriate role as an External Director of the Company, including providing accurate advice to management, contributing to decision making by the Board of Directors, and supervising business execution. The Company judged that he will continue to perform his expected role described above as an External Director through his knowledge and experience from a perspective of promoting the sustainable growth and medium- to long-term increase in corporate value of the Company.</p> <p>In addition, the Company has designated him as an independent director because he satisfies the criteria for independent directors stipulated in the Securities Listing Regulations and the Enforcement Regulations of the Securities Listing Regulations, and the Company believes that there is no risk of conflict of interest with general shareholders.</p>
Hiroshi Kagechika	Nomination / Remuneration / Audit	○		<p>Mr. Hiroshi Kagechika has specialist insight and a wealth of experience in corporate business and the field of research and development in the manufacturing sector. He attends meetings of the Board of Directors, the Nomination Committee, the Remuneration Committee, and the Audit Committee, and as Chairman of the Remuneration Committee he actively expresses opinions. In this way, he plays an appropriate role as an External Director of the Company, including providing accurate advice to management, contributing to decision making by the Board of Directors, and supervising business execution.</p> <p>The Company judges that he will continue to perform his expected role described above as an External Director through his knowledge and experience from a perspective of promoting the sustainable</p>

				<p>growth and medium- to long-term increase in corporate value of the Company.</p> <p>In addition, the Company has designated him as an independent director because he satisfies the criteria for independent directors stipulated in the Securities Listing Regulations and the Enforcement Regulations of the Securities Listing Regulations, and the Company believes that there is no risk of conflict of interest with general shareholders.</p>
Agasa Naito	Nomination / Remuneration / Audit	○		<p>Ms. Agasa Naito has a wealth of experience and a high level of insight as an expert in law and as an outside officer of other companies. She attends meetings of the Board of Directors, the Nomination Committee, the Remuneration Committee, and the Audit Committee, where she actively expresses opinions. In this way, she plays an appropriate role as an External Director of the Company, including providing accurate advice to management, contributing to decision making by the Board of Directors, and supervising business execution.</p> <p>The Company judges that she will continue to perform her expected role described above as an External Director through her knowledge and experience from a perspective of promoting the sustainable growth and medium- to long-term increase in corporate value of the Company.</p> <p>In addition, the Company has designated him as an independent director because she satisfies the criteria for independent directors stipulated in the Securities Listing Regulations and the Enforcement Regulations of the Securities Listing Regulations, and the Company believes that there is no risk of conflict of interest with general shareholders.</p>
Yasuharu Nakajima	Nomination / Remuneration / Audit	○		<p>Mr. Yasuharu Nakajima has engaged in corporate audit work for many years as a certified public accountant, and he has specialized knowledge and abundant experience in finance and accounting. He attends meetings of the Board of Directors, the Nomination Committee, the Remuneration Committee, and the Audit Committee and as Chairman of the Audit Committee he actively expresses opinions. In this way, he plays an appropriate role as an External Director of the Company, including providing accurate advice to management, contributing to decision making by the Board of Directors, and</p>

				<p>supervising business execution. The Company judged that he will continue to perform his expected role described above as an External Director through his knowledge and experience from a perspective of promoting the sustainable growth and medium- to long-term increase in corporate value of the Company. In addition, the Company has designated him as an independent director because he satisfies the criteria for independent directors stipulated in the Securities Listing Regulations and the Enforcement Regulations of the Securities Listing Regulations, and the Company believes that there is no risk of conflict of interest with general shareholders.</p>
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### [Committees]

#### Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Nomination Committee	5	0	1	4	External Director
Remuneration Committee	5	0	1	4	External Director
Audit Committee	5	1	1	4	External Director

### [Executive Officers (Shikkoyaku)]

Number of Executive Officers (Shikkoyaku)	13
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#### Status of Additional Duties

Name	Representative Authority	Additional Duties as Director			Additional Duties as Employee
			Nomination Committee Member	Remuneration Committee Member	
Yuichi Tsuji	Yes	Yes	Yes	Yes	No
Hiroyuki Tada	Yes	No	No	No	No
Hisanobu Hayashi	No	No	No	No	No
Yasushi Okahisa	No	No	No	No	No
Takanobu Matsunaga	No	No	No	No	Yes
Akimasa Kajita	No	No	No	No	Yes
Hiroki Kajikawa	No	No	No	No	Yes
Katsuya Hatanaka	No	No	No	No	Yes
Masaki Ito	No	No	No	No	Yes

Koichi Nakamura	No	No	No	No	Yes
Masao Fukushima	No	No	No	No	Yes
Hiroyuki Tanida	No	No	No	No	Yes
Shotaro Yasuda	No	No	No	No	Yes

### [Auditing Structure]

Appointment of Directors and/or Staff to Support the Audit Committee	Appointed
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Matters Related to the Independence of Such Directors and/or Staff from Executive Officers (Shikkoyaku)

The Audit Committee Secretariat has been set as an organ to support the duties of the Audit Committee, and its responsibility is to perform secretarial duties for the Audit Committee.  
The appointment and evaluation of, changes in, and disciplinary action against the employees assigned to the Audit Committee Secretariat shall be carried out with the approval of the Audit Committee.

Cooperation among Audit Committee, Accounting Auditors and Internal Audit Departments Updated

The Audit Committee, together with the Audit Office, maintains close cooperation with the Accounting Auditor, and when necessary, receives support from external experts such as attorneys.

The Audit Office submits an annual audit plan, which has been approved by the Representative and Chairman after consultation with the Representative and Chief Executive Officer, to the Audit Committee, and carries out an internal audit. The Audit Office reports the results of the internal audit to the Representative and Chairman and Representative and Chief Executive Officer and also makes a report to the Audit Committee. If a request is received from the Audit Committee to conduct a special investigation, the Audit Office will cooperate fully with such request.

For the accounting audit, two certified public accountants implement an operational audit, and both individuals belong to Deloitte Touche Tohmatsu LLC. In addition, six certified public accountants and 23 other individuals work as assistants for such auditing work.

### [Independent Directors]

Number of Independent Directors	4
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Matters relating to Independent Directors

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### [Incentives]

Incentive Policies for Directors and/or Executive Officers (Shikkoyaku)	Performance-linked Remuneration
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Supplementary Explanation

The Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods stated below provides details on the performance-linked remuneration for fiscal year 2022.

Recipients of Stock Options	
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Supplementary Explanation

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**[Remuneration for Directors and Executive Officers (Shikkoyaku)]**

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
Disclosure of Individual Executive Officers' (Shikkoyaku) Remuneration	No Individual Disclosure

Supplementary Explanation

The remuneration for the Company's Directors and Executive Officers for the fiscal year 2022, is stated in the Annual Securities Report and the Business Report as a total amount for Directors and that for Executive Officers, and the total amount of remuneration for External Officers is stated separately.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

<Policy for the determination of remuneration for Directors and Executive Officers>

1. Deciding policy  
The Company determines the policy related to the determination of individual remuneration of Directors and Executive Officers based on objective data, etc. from external consultants in the Remuneration Committee, composed of a majority of External Directors and chaired by an External Director, based on the provisions of the Companies Act related to a Company with Nomination Committee, etc.  
Furthermore, the policy is based on the approach of providing strong motivation for officers to achieve their performance targets while securing transparency and rationality, fostering awareness for medium- to long-term management, and conforming with the interests of stakeholders including shareholders and investors and the performance targets used for calculating remuneration also reflect this approach.

2. Outline of the policy  
[1] Policy for determining officer remuneration  
The Company's officer remuneration (excluding External Directors) is structured with basic remuneration (fixed remuneration) determined by the position and variable remuneration (performance-linked remuneration) that varies within a range of 0% to 150% according to the level of achievement of company performance targets for the previous fiscal year and individual performance targets based on the operating profit of the division under charge and individual evaluation. In addition, Executive Officers receive stock remuneration (performance-linked remuneration), the level of which is linked to the performance targets of the Company's Mid-Term Business Plan.  
Variable remuneration and stock remuneration are not applicable for External Directors due to the role of supervising management from an independent and objective perspective.

<Percentage of remuneration by position>

Position	Portion of officer remuneration (if the percentage of performance-linked remuneration is 100%)				
	Basic remuneration	Performance-linked remuneration			Stock remuneration
		Variable remuneration		Individual performance evaluation	
		Company performance	Division performance		
Representative and Chief Executive Officer and other Representative Executive Officers	60.0%	25.0%	–	–	15.0%
Senior and other Managing Executive Officers	60.0%	17.5%	5.0%	2.5%	15.0%
Senior and other Executive Officers	65.0%	12.5%	5.0%	7.5%	10.0%
Directors not concurrently serving as Executive Officers (Excluding External Directors)	71.0%	14.5%	14.5%		–
External Directors	100%	–	–	–	–

<Performance targets and ratio for their reflection in performance-linked remuneration>

Company performance	Operating profit (standard amount: 10.0 billion yen)	Operating profit (year on year)	ROE (year on year)	
	40.0%	30.0%	30.0%	
Individual performance	Operating profit of the division under charge (compared to budget)		Individual evaluation	
	Senior and other Managing Executive Officers	67.0%	Senior and other Managing Executive Officers	33.0%
	Senior and other Executive Officers	40.0%	Senior and other Executive Officers	60.0%

<The reasons for the selection of these indicators>

• Company performance

Operating profit is set to strengthen our earning power and growth potential, and ROE is set to improve capital efficiency.

• Individual performance

The operating profit of the division under charge and individual evaluations were set to clarify the responsibility for performance that each officer (excluding External Directors) should take on. In addition, evaluation is conducted based on a perspective and items different from the Company's performance. Individual evaluations are rated based on their activities' status and their contribution to the performance.

[2] Method of determining officer remuneration

• Basic remuneration and variable remuneration

The amount of basic remuneration and variable remuneration for each officer is determined by the resolution of the Remuneration Committee following the policy set forth above.

Basic remuneration is determined based on the table set at a fixed amount for each position, while variable remuneration is calculated based on the achievement percentage for each fiscal year. If an officer retires before the end of the fiscal year, the amount of remuneration will be prorated and paid according to his/her term of office (except for Directors).

<Calculation rules for variable remuneration>

(Company performance portion) = amount of basic remuneration for each previous fiscal year × percentage of company performance portion for each position × level of achievement of company performance portion for the previous fiscal year

(Individual performance portion) = amount of basic remuneration for each previous fiscal year × percentage of individual performance portion for each position × level of achievement of individual performance portion for the previous fiscal year and the result of individual evaluation

Variable remuneration is determined by combining the company performance portion and the individual performance portion calculated as shown above.

Nevertheless, the current officer remuneration system was introduced to take effect from fiscal year 2022, and the variable remuneration under that system is subject to a system transitional measure whereby it is determined based on the calculation rules before the system transition.

The rules for the calculation and the actual results of the performance indicators are as follows.

<Calculation rules before the system transition>

(a) Variable remuneration = amount of basic remuneration for each previous fiscal year × percentage of performance-linked remuneration portion for each position × percentage of achievement of performance portion for the previous fiscal year

(b) Percentage of performance-linked remuneration portion for each position

Representative and Chief Executive Officer: 50% of basic remuneration, Senior Managing Executive Officers: 45% of basic remuneration,

Other officers (excluding Eternal Directors): 40% of basic remuneration

(c) Indicators used in the calculation of variable remuneration for fiscal year 2022 and their actual results

[Operating profit (amount)] target: 10,000 million yen/actual: 7,268 million yen

[Operating profit (year on year)] target: 5,964 million yen/actual: 7,268 million yen

[ROE (year on year)] target: 4.5% (after adjustment)/actual: 5.5%

[Dividends (year on year)] target: 45 yen per share/actual: 45 yen per share

(Note) Individual performance targets are set using quantitative and qualitative targets, and the achievement rate was 75% to 125%, respectively.

Since remuneration for Directors and Executive Officers for fiscal year 2022 was determined by the above method, and the validity of the level of remuneration was checked based on data on officer remuneration periodically provided by external consultants, the Remuneration Committee has judged that the content of the remuneration reflects the above policy.

• Stock remuneration

(1) Eligibility for the performance-linked stock remuneration plan (hereinafter the “plan”)

Persons eligible for the plan are the Executive Officers (including those concurrently serving as Directors).

(2) Structure of the plan and granting of points

(i) Structure of the plan

Remuneration under the plan will consist of the following:

• Fixed portion

The fixed portion is granted according to the position held during the tenure.

• Performance-linked portion

The performance-linked portion is granted according to the level of achievement of the performance targets of the Mid-Term Business Plan.

The level of achievement of the performance targets is evaluated each fiscal year and reflected in the remuneration for the tenure.

In the current Mid-Term Business Plan, the Company has set the amount of consolidated operating profit as a performance indicator. The reason for choosing operating profit as the performance indicator is because it

simply expresses the medium- to long-term improvement in business performance. The Company is targeting 10.8 billion yen for fiscal year 2022 and 14.0 billion yen for fiscal year 2023.

(ii) Point calculation method

- Points corresponding to the fixed portion and the performance-linked portion are calculated and granted to the Executive Officer's tenure.
- The number of points granted for the respective tenure will accumulate until retirement, and the number of accumulated points will be used as "1 point = 1 share" to calculate the number of the Company's shares to be granted.

(Point formula)

Base points correspond to the position during the tenure for which points are granted (Note 1) × (1 + performance-linked coefficient (Note 2))

Note 1: Base points

Position	Points
Representative and Chief Executive Officer	2,360
Senior Managing Executive Officers	1,219
Managing Executive Officers	903
Senior Executive Officers	452
Executive Officers	409

Note 2: Performance-linked coefficient (the indicator for calculating the performance-linked coefficient shall be operating profit)

Performance-linked coefficient = actual amount for the relevant period / target amount for the relevant period as specified in the Mid-Term Business Plan (rounded down to the second decimal place)

The upper limit of the coefficient is 1.5, and if it is less than 0.5, it is set to 0.

(iii) Calculation method in case of position change during the tenure

If there is a change in position during the tenure, points will be prorated based on the number of months, according to the respective position.

(iv) Calculation method in case of resignation of an officer during the tenure

If an officer resigns during the tenure, points will be calculated based on his/her term of office.

(Formula)

Points calculated according to (ii) above × Tenure as an officer / 12

(v) Point granting date

The points for the tenure are granted on the date of the first meeting of the Remuneration Committee after the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year under review.

(3) Number of shares and amount of cash to be granted or paid

(i) In the case of the resignation of an officer due to reasons other than personal reasons

• Shares

The number of shares is calculated as "1 point = 1 share" using the following formula.

(Formula)

Number of shares = Number of points accumulated until the vesting date (including the points granted on the vesting date. Hereinafter referred to as "Number of Points Held") × 70% (any fraction less than one unit of shares shall be rounded down)

• Cash

The cash amount is calculated using the following formula.

(Formula)

Cash amount = (Number of Points Held – Number of shares calculated according to the formula for "Shares" above) × Market value of the shares as of the vesting date

(ii) In the case of the resignation of an officer due to personal reasons

Shares are granted based on the Number of Points Held, where "1 point = 1 share."

(iii) In the case of the death of an officer for whom remuneration is to be paid

In the case of the death of an officer for whom remuneration is to be paid, the right to receive a monetary payment as a survivor's benefit will be acquired by the surviving family members of such officer if they meet



the requirements set forth in the Regulations of Directors' Stock Benefits established by the Remuneration Committee.

The survivor benefit amount shall be the monetary amount calculated using the following formula.

(Formula)

Survivor benefit amount = Number of Points Held by a deceased officer for whom remuneration is to be paid × Market value of the shares as of the date of death (Note)

(Note) The market price of the shares used in the plan shall be the closing price of the shares on the principal stock exchange on which the shares are listed on the date when the market price of the shares needs to be calculated. If the closing price is not published on such date, the market price of the shares shall be calculated retroactively to the most recent date for which a closing price is available.

(4) Important note

The maximum number of shares corresponding to the points awarded for each position as stipulated in Article 34, paragraph 1, item (iii)-(a)1 of the Corporation Tax Act is 5,900 points for Representative and Chief Executive Officer, 3,047 points for the Senior Managing Executive Officers, 2,257 points for the Managing Executive Officers, 1,130 points for the Senior Executive Officers and 1,022 points for the Executive Officers.

**[Supporting System for External Directors]**

The respective Nomination, Remuneration and Audit Committees each has its own secretariat, and a system to support External Directors as necessary has been established.

**[Retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)]**

Information on retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO ended	Term

Number of retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)	0
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Others

**2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) Updated**

<Board of Directors>

The Company's Board of Directors is made up of seven members including four External Directors.

The Board of Directors is responsible for supervision of business execution through selection of directors making up the Nomination, Remuneration, and Audit Committees, election and dismissal of Executive Officers and delegation of business to Executive Officers, approval of matters related to operations that have an impact on basic management policy such as Mid-Term Business Plans and annual budgets, and approval

of matters that could have a significant impact on Group management such as investments exceeding a certain amount. The term of office of directors is one year, and a vote of confidence in directors is obtained in the Ordinary General Meeting of Shareholders held annually. The Company's Executive Officers are determined by the Board of Directors. People suitable for the execution of the Company's business are elected from the perspective of enhancement of business execution and corporate value by adopting the approach of putting the right people in the right place.

#### <Nomination, Remuneration and Audit Committees>

As a company with Nomination Committee, etc., the Company has established a Nomination Committee, a Remuneration Committee, and an Audit Committee. The roles of the committees and overviews of the members of the committees as of the date of the publication of this report are as follows.

The Nomination Committee determines the content of proposals to elect and dismiss directors to be submitted to the General Meeting of Shareholders. It is made up of five directors (four of whom are External Directors), and is chaired by External Director Sadayoshi Fujishige. Meetings of the Nomination Committee are held as needed.

The Remuneration Committee determines the content of individual remuneration, etc. of Directors and Executive Officers. It is made up of five directors (four of whom are External Directors), and is chaired by External Director Hiroshi Kagechika. Meetings of the Remuneration Committee are held as needed.

The Audit Committee's responsibilities include auditing the state of execution of duties of Directors and Executive Officers, and the preparation of audit reports. It is made up of five directors (four of whom are External Directors), and is chaired by External Director Yasuharu Nakajima. In principle, the Audit Committee holds meetings at least once every month.

#### <Execution of Business>

As of the date of the publication of this report, the Company had 13 Executive Officers, of which one each has been selected as Representative and Chairman and as Representative and Chief Executive Officer.

An Executive Meeting has been established as an organ to deliberate matters related to the execution of business delegated by the Board of Directors, and it endeavors to ensure efficient business execution by holding meetings twice a month in principle.

#### <Internal Audit>

The Audit Office is set up in the Company as an auditing organ comprising eight full-time staff members. It carries out auditing activities related not only to the operational audits of the overall Group but also compliance audits and other functions.

A system is set up to ensure reports of the results of these auditing activities are made regularly to the Representative and Chairman, Representative and Chief Executive Officer and the Audit Committee.

#### <Audits by Audit Committee>

The Audit Committee formulates the audit policies and audit plans necessary for the Audit Committee's performance of duties, and conducts audits based on those. The Audit Committee makes regular reports on the status of audits to the Board of Directors. The Members of the Audit Committee and the Audit Office regularly set up audit reporting meetings and discuss the audit plan, the status of audit implementation, the results thereof, etc. The Audit Committee also provides opportunities regularly to exchange information and opinions with the Accounting Auditor in order for audits to be carried out in cooperation, effectively and efficiently. Chairman of Audit Committee Yasuharu Nakajima is qualified as a certified public accountant and has a thorough knowledge of finance and accounting.

#### <External Directors>

The Company has four External Directors.

There is no personal, capital, business or other relationship between the Company and each of the External Directors. Therefore, four External Directors have been elected on the basis of being able to provide appropriate advice and supervision from an independent standpoint based on character insight, etc.

External Director Sadayoshi Fujishige offered advice and suggestions to ensure suitability and appropriateness of decision making as required from an independent standpoint that is based on his wealth of experience and a high level of insight as a top manager of listed companies.

External Director Hiroshi Kagechika offered advice and suggestions to ensure suitability and appropriateness of decision making as required from an independent standpoint that is based on his specialist insight and a

wealth of experience in corporate business and the field of research and development in the manufacturing sector.

External Director Agasa Naito offered advice and suggestions to ensure suitability and appropriateness of decision making as required from an independent standpoint that is based on her wealth of experience and a high level of insight as an expert in law and as an outside officer of other companies.

External Director Yasuharu Nakajima offered advice and suggestions to ensure suitability and appropriateness of decision making as required from an independent standpoint that is based on his wealth of experience and a high level of insight gained from providing auditing services to companies as a certified public accountant over many years.

The Company and its subsidiaries have no personnel, capital or business relationship with, or interest in, any company or organization an External Director is either presently working for, or worked for in the past that affects the External Director's independence.

<Status of Accounting Audit>

For the accounting audit, two certified public accountants conduct the auditing work, and both individuals belong to Deloitte Touche Tohmatsu LLC. In addition, six certified public accountants and 23 other individuals work as assistants for such auditing work.

<Overview of limited liability agreements>

The Company has entered into limited liability agreements with the External Directors to limit their liability under Article 423, paragraph 1 of the Companies Act pursuant to the provisions of Article 26 of the Company's Articles of Incorporation. The maximum amount of the liability for damages based on such agreements is the amount prescribed in laws and regulations.

<Overview of directors and officers liability insurance policy>

The Company has concluded a directors and officers liability insurance (D&O insurance) policy as stipulated in Article 430-3, paragraph 1 of the Companies Act with an insurance company, in which Directors and Executive Officers of the Company and directors and other officers of its subsidiaries are the insureds. The insurance premiums, including those for special clauses, are borne by the Company in full, and there are no insurance premiums actually borne by the insureds. The aforementioned insurance policy has been made to cover losses such as amount of indemnification and court costs that may arise from the insured's assumption of liability incurred in the course of the performance of duties as an officer or a person at a certain position, or receipt of claims pertaining to the pursuit of such liability.

### **3. Reasons for Adoption of Current Corporate Governance System**

The Company introduced an executive officer system in June 2003 and has created a system able to maximize the effect of consolidated management by invigorating the Board of Directors and speeding up decision making. Since June 2008, management has been conducted by further clarifying the functions and roles of management and business execution.

In addition, with the approval of the Ordinary General Meeting of Shareholders on June 26, 2014, Nittobo shifted to a company with a Nomination Committee, etc. By doing so, the company further clarified the separation of supervision from execution and has aims to strengthen supervisory functions, ensure highly transparent management, execute business swiftly, and increase the flexibility of management. Furthermore, by establishing a system that enables it to more precisely meet the expectations of stakeholders, such as customers, shareholders, suppliers, and employees, the Company will work to further enhance its corporate value.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Notice of the General Meeting of Shareholders and related documents are disclosed beforehand. In principle they are dispatched three weeks before the General Meeting of Shareholders is held, as well as being published on the Company's website, made available via the Tokyo Stock Exchange's TDnet, and an electronic voting platform.
Allowing Electronic Exercise of Voting Rights	The Company has offered the option of exercising voting rights via electronic methods (internet, etc.) since the 156th Ordinary General Meeting of Shareholders held on June 28, 2017. Moreover, since the 158th Ordinary General Meeting of Shareholders held on June 26, 2019, the Company has offered the option of exercising voting rights using a smartphone.
Participation in Electronic Voting Platform	Since the 156th Ordinary General Meeting of Shareholders held on June 28, 2017, the Company has participated in the electronic voting platform for institutional investors operated by ICJ, Inc.
Providing Convocation Notice in English	In principle, the English translation of the Notice of the General Meeting of Shareholders (condensed) is disclosed at the same time as the Japanese original Notice, as well as being published on the Company's website, made available via the Tokyo Stock Exchange's TDnet, and an electronic voting platform.

#### 2. IR Activities

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	Disclose the Company's IR policy on its website.	
Regular Investor Briefings for Individual Investors	Briefings and online briefings are held for individual investors through a securities company.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	Implement promptly after the announcement of quarterly financial results.	Yes
Posting of IR Materials on Website	The Company discloses the Annual Securities Report (Japanese only), Financial Results Report, Integrated Report, Corporate Governance Report, Notice of the General Meeting of Shareholders, Communications to Shareholders (Japanese only), and other timely disclosure material on the Company's website.	
Establishment of Department and/or Manager in Charge of IR	Corporate Communication Department has six staff members in charge.	

#### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Nittobo Declaration stipulates initiatives for management and business activities aimed at being a company that gains trust of all stakeholders in the pursuit of client satisfaction.
Implementation of Environmental Activities, CSR Activities etc.	The Group works toward achieving environmental goals, which are set forth in the Company-Wide Environmental Policy. Moreover, to centrally identify environmental issues and better promote solutions to such issues, the Company established the Sustainability Committee, under the direct supervision of the Chief Executive Officer, on April 1, 2021.

	In April 2023, the Company renewed the “Sustainability” section of its website, and enhanced information related to ESG (Environment, Social, Governance). The Company will disclose its initiatives for realizing a sustainable and prosperous society.
Development of Policies on Information Provision to Stakeholders	In the Nittobo Behavior Program, the Company sets forth a Code of Conduct for Information.

## IV. Matters Related to the Internal Control System

### 1. Basic Views on Internal Control System and the Progress of System Development

The Company has constructed an internal control system to ensure proper operations are carried out across the entire Group as a group of enterprises consisting of the Company and its subsidiaries.

With regard to developing systems necessary to ensure the properness of operations of a stock company as stipulated by Article 362, paragraph 4, item (vi) of the Companies Act, the Company determined a basic policy at its Board of Directors meeting held on May 10, 2006, and following the Company's transition from a company with Audit & Supervisory Board to a company with a Nomination Committee, etc. on June 26, 2014, the Company passed resolutions pursuant to Article 416, paragraphs 1 and 2 of the Companies Act at a Board of Directors meeting held on the same day.

Moreover, at the Board of Directors meeting held on March 24, 2015, the Company passed additional resolutions regarding internal control systems as a group of enterprises consisting of the Company and its subsidiaries in response to the revised Companies Act, etc.

Furthermore, at the Board of Directors meeting held on March 29, 2016, following the change of the organ supporting the duties of the Audit Committee from the Audit Office to the Audit Committee Secretariat, additional resolutions were made concerning the internal control system and the following basic policy was formed.

The employees and officers of the Company and each company in the Group, execute and carry out operations pursuant to the Basic Policy on Constructing Internal Control Systems and Basic Policy on Constructing and Evaluating Internal Control Systems for Financial Reporting.

<Basic Policy on Constructing Internal Control Systems>

#### 1. Matters required for execution of duties by the Audit Committee

##### (1) Matters concerning directors and employees to assist with the duties of the Audit Committee

- The Audit Committee Secretariat has been set as an organ to support the duties of the Audit Committee, and its responsibility is to perform secretarial duties for the Audit Committee.

##### (2) Matters to ensure the independence of directors and employees referred to in the above item (1) from executive officers, as well as the effectiveness of instructions given to those directors and employees

- The appointment and evaluation of, changes in, and disciplinary action against the employees assigned to the Audit Committee Secretariat shall be carried out with the approval of the Audit Committee.

##### (3) System of reporting from Directors, Executive Officers and employees to the Audit Committee and other systems of reporting to the Audit Committee

- The directors, executive officers and employees shall report to the Audit Committee upon knowledge of any fact in relation to the execution of duties concerning the group of enterprises consisting of the Company and its subsidiaries (hereinafter the "Group") that constitutes serious breach of laws and regulations or serious breach of the Articles of Incorporation, or misconduct; or that could cause significant loss.
- The Members of the Audit Committee attend meetings etc. in which there is discussion of important matters related to the Group's management policy, management strategies, etc., and they may express their opinions.
- The Representative and Chief Executive Officer and the Audit Committee regularly create opportunities to exchange opinions.
- The Audit Committee may receive reports on the status of the execution of operations directly from not only Directors, Executive Officers and employees, but also officers and employees of subsidiaries, and those who received reports from those persons. Furthermore, the Company shall prevent any adverse treatment of a person providing such a report to the Audit Committee based on the fact that such a report has been made by the person.

##### (4) Other systems for ensuring effective audits by Audit Committee

- The Audit Office submits an annual audit plan, which has been approved by the Representative and Chief Executive Officer, to the Audit Committee, and carries out an internal audit. The Audit Office

reports the results of the internal audit to the Representative and Chief Executive Officer and also makes a report to the Audit Committee. If a request is received from the Audit Committee to conduct a special investigation, the Audit Office will cooperate fully with such request.

- The Company shall ensure that Audit Committee, together with the Audit Office, maintains close cooperation with the Accounting Auditor, and when necessary, is able to receive support from external experts such as attorneys.
- Costs required by the members of the Audit Committee to execute their duties (including the costs for receiving support described in the above paragraph), shall be borne by the Company and paid through methods including advanced payments.

## 2. Matters required for ensuring the appropriateness of the Group's operations

### (1) System for storing and managing information related to Executive Officers' execution of their duties

- The Company shall ensure appropriate storage and management of information relating to execution of duties by Executive Officers pursuant to laws and regulations, the Document Management Rules, etc.

### (2) Systems for the reporting to the Company of items related to the execution of the duties of directors, etc. of subsidiaries

- The Company maintains an appropriate control over operations of the entire Group through implementing management control through procedures for decision making by the Company on matters relating to the management of subsidiaries as set forth in the Subsidiary Approval Application Rules, sharing of information and strategies through meetings, etc., interchange of personnel, and obtaining an understanding of the management conditions of subsidiaries on a timely basis.

### (3) Rules related to the management of the risk of loss and other systems

- Based on the basic policy and management system set forth in the Rules for Risk Management, the Company appropriately manages various risks surrounding the Group's business and strives to prevent such risks from occurring.
- In the event of an unforeseen situation occurring in the Group, the Company implements responsive measures in accordance with the Rules for Risk Management and strives to minimize loss.

### (4) System for ensuring the efficient execution of duties of Executive Officers and Directors, etc. of subsidiaries

- The Executive Committee, whose meetings are held twice a month in principle, is the designated organ for discussing important matters concerning the overall management of the Group and matters other than the matters to be resolved by the Board of Directors.
- The Company clarifies responsibility and authority according to the Rules on Segregation of Duties and Rules on Administrative Authority and strives for the efficient execution of duties.
- The Company formulates the Mid-Term Business Plan, clarifies the direction of the Group as a whole, sets initiatives and numerical targets for the overall Group and for each business division as annual plans and performs control of financial results based on the aforementioned.

### (5) System for ensuring that the execution of duties of Executive Officers and employees, and officers and employees of subsidiaries (hereinafter the "Group's officers and employees") is in compliance with laws and regulations and the Articles of Incorporation

- The Representative and Chief Executive Officer sets an example and ensures that the Group's officers and employees are fully aware of the Group's Corporate Philosophy, Nittobo Declaration which espouses shared values in order to become a company trusted by society, and Nittobo Behavior Program and Code of Conduct, both of which provide a set of action guidelines.
- By the Company spreading and implementing the Nittobo Declaration, executive officers and employees foster a healthy corporate culture that forms the basis for compliance.
- Executive Officers and employees comply with laws and regulations, the articles of incorporation and internal rules, etc. based on the Nittobo Behavior Program and Code of Conduct, and the departments responsible for compliance strive to raise awareness of compliance to increase their effectiveness.

- The Company prevents, quickly discovers and appropriately addresses violations of laws and regulations through a Corporate Ethics Help Line, which is a whistleblowing program with an internal whistleblowing contact and an external contact connecting to a law firm.
  - The Executive Officer in charge of the Risk Management Department periodically reviews the state of establishment of the Group's internal control system to ensure the current conditions are consistent with the Group's basic policy. The results of the review are reported to the Representative and Chief Executive Officer, who reports to the Board of Directors, which passes resolutions if any revisions to the basic policy are required.
  - The Audit Committee reports the results of operational audits and compliance audits, etc. to the Board of Directors as appropriate.
- (6) Other systems for ensuring appropriate operations by the Group
- The Nittobo Declaration, the Nittobo Behavior Program, the Code of Conduct and the Corporate Ethics Help Line apply to the entire Group, and efforts are made to raise awareness of these.
  - Auditing offices are established in major subsidiaries to ensure appropriate operations, and the Company's Audit Office also conducts internal audits with a view to the entire Group.

## **2. Basic Views on Eliminating Anti-Social Forces**

The Company established the Nittobo Behavior Program and the Code of Conduct by resolution at the Board of Directors to serve as the Group's action guidelines. As clearly stated therein, the Company will robustly and resolutely stand up to antisocial forces and groups that pose a threat to social order and safety, reject all illegal and improper requests and have no associations whatsoever, and all efforts are made to make this known throughout the Group.

Moreover, in the event that illegal or improper requests have been made to the Group from antisocial forces, or if such requests are anticipated, the Company has established a system that enables a prompt and overall organizational response beginning with contacting the General Manager of the General Affairs Department and discussing a response, and including such measures as having the General Affairs Department contact the police.



## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
Supplementary Explanation	

### 2. Other Matters Concerning to Corporate Governance System Updated

<Overview of the Timely Disclosure System>

#### 1. Information on the company decisions

- The major matters for resolution of the Company are decided by the Representative and Chief Executive Officer, via the Board of Directors, or via the Executive Committee, which holds discussion centering on the Executive Officers about the matters concerning the execution of operations, in accordance with the Rules on Administrative Authority,
- The Company follows the timely disclosure rules set forth by the stock exchange (hereinafter “Timely Disclosure Rules”) and promptly discloses the decision made facts.

#### 2. Information on company incidents

- In the event that a major incident occurs, the information will be reported promptly from the department that recognized and identified the occurrence of such incident and be consolidated by the Executive Officer in charge of the Risk Management Department.
- Then, to judge whether such information needs to be disclosed, an examination is carried out mainly by the Corporate Communication Department following the Timely Disclosure Rules, and prompt disclosure is made as needed.

#### 3. Information on financial results

- The Company prepares the numerical figures of financial results in the month following the closing month of a fiscal term and these results are subject to audits conducted by the Accounting Auditor in parallel to this. The financial results are disclosed after approval is given by the Executive Committee and the Board of Directors. The same handling of financial results disclosure applies to the quarterly financial results as well.
- For earnings forecasts or revisions to earnings forecasts, the preparation of the forecast figures is carried out mainly by the Accounting and Finance Department, and the disclosure is made after being discussed by the Executive Committee and receiving approval from the Representative and Chief Executive Officer.

#### 4. Fundamental approach to timely disclosure of company information

The Company has formulated the Nittobo Behavior Program and the Code of Conduct, which stipulate the Company should provide timely and appropriate disclosure and prohibit insider trading. The Company distributes these details to all employees as a “Corporate Conduct Handbook” and strives to promote awareness of such matters. The Company has also established insider trading management rules, which stipulate basic matters that must be followed when managing insider information, etc. Furthermore, the Company has established the Risk Management Committee and the Corporate Conduct Promotion Office as a dedicated secretariat for that committee in order to improve the effectiveness of the activities described above.

