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Nippon Denko Co., Ltd.

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<https://www.nippondenko.co.jp/en/>

The corporate governance of Nippon Denko Co., Ltd. (the “Company,” “Nippon Denko” or “We”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information

1. Basic Views

The Company is enhancing its corporate governance by seeking sustainable growth and striving to improve its corporate value over the medium/long-term through the establishment of systems that facilitate transparent, fair, rapid, and resolute decisions and the demonstration of entrepreneurial spirit based on the following Management Philosophy, all without losing sight of its fiduciary responsibility as an entity entrusted by its shareholders with business management in addition to its responsibilities to them as well as its employees, customers, business partners, creditors, local communities, and other stakeholders.

[Management Philosophy]

Helping create an affluent future through sustainable growth by developing and providing distinctive products, technologies, and services.

Additionally, we chose to be “a company with the Audit and Supervisory Committee” in order to streamline decision making and business execution processes by transferring part of decision-making authority for the execution of important operations from the Board of Directors to Directors, deepen discussions on medium/long-term management strategies, and strengthen the supervisory functions of the Board of Directors, thus tightening corporate governance and improving corporate value further.

The definition of a term used in the following sections is as follows.

Senior management: The President & CEO and other executive officers appointed in accordance with the Regulations for Executive Officers.

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

[Principle 4-11]

Nippon Denko has not appointed non-Japanese Directors, but the Board of Directors of the Company is composed of personnel who possess knowledge, experience, and capabilities for fulfilling their roles and duties effectively in a well-balanced manner, while achieving diversity and realizing an appropriate size.

[Disclosure Based on each Principle of the Corporate Governance Code]

[Principle 1-4]

(1) Policy on cross-shareholdings

Nippon Denko holds cross-shareholdings (all shares other than the Company's shares) for the purpose of improving corporate value of the Company over the medium/long-term by maintaining and strengthening business relationships, maintaining and developing partnerships, and ensuring smooth execution of business activities. Regarding the cross-shareholdings, the Board of Directors evaluates the performance and financial strength of the investee company as well as their significance of shareholding regularly on an annual basis and examines the appropriateness of shareholding including its reduction.

(2) Details of the examination of the appropriateness of cross-shareholdings

Nippon Denko examines the appropriateness of cross-shareholdings in the Board of Directors, in accordance with the policy mentioned in Section (1), by researching the past trends of major financial indicators of respective investee companies, checking whether the ROE of each investee company exceeds the cost of capital of Nippon Denko, and assessing the risk of degrading the corporate value of Nippon Denko.

(3) Standards for appropriately exercising voting rights accompanying cross-shareholdings

Nippon Denko exercises the voting rights accompanying cross-shareholdings appropriately, after responsible sections of the Company carefully check the proposals at the General Meeting of Shareholders of each investee company and comprehensively judge whether or not the proposals would contribute to the improvement in corporate value of Nippon Denko and the investee company.

[Principle 1-7]

If any transaction between Nippon Denko and a Director (including an indirect transaction) falls under conflict-of-interest transactions, it is necessary to obtain an approval from the Board of Directors and submit reports in accordance with laws, regulations, and the "Regulations for the Board of Directors," which are in-company rules. In addition, the Company checks whether or not there is any conflict-of-interest transaction by having directors report it by themselves every year, and the Board of Directors confirms that there are no transactions that would damage the Company.

The above-mentioned transactions are disclosed appropriately according to the importance and characteristics of each transaction pursuant to laws and regulations.

The transactions with "major shareholders and others" are conducted under fair conditions, and will not cause any damage to the Company.

[Supplementary Principle 2-4 (i)]

(1) Mindset for securing diversity

Nippon Denko recognizes that in order to improve medium/long-term corporate value through the diversification of ideas, etc., it is necessary to promote core personnel while ensuring diversity. The Company recruits personnel regardless of nationality, so non-Japanese employees are deployed and trained in the same way as Japanese employees, and flourish in each workplace. Mid-career workers are employed when necessary according to the needs in workplaces and the workforce composition.

(2) Voluntary measurable goals for securing diversity

Regarding the active participation by women, Nippon Denko has no female managers as of now, but aims to promote female employees to managerial posts as soon as possible.

(3) Policies for developing personnel and an in-company environment for securing diversity, and their statuses

As the policy for developing personnel for securing diversity, Nippon Denko strives to enrich human

capital by securing diversity in recruitment and educating employees evenly and effectively through OJT and Off-JT, and the “Personnel Development Committee” chaired by the President & CEO formulates a personnel development policy and manages its progress.

[Principle 2-6]

The Personnel Department of Nippon Denko manages the operating institutions for pension assets based on the contract-type defined-benefit corporate pension plan for the purpose of stably developing assets in the long term to secure the payment of pension to beneficiaries. The staff in charge of management of pension assets check whether the operating institutions have handled pension assets in accordance with the Basic Policy for Managing Pension Assets as stipulated by the Company, and strive to exert expected functions as an asset owner while honing their expertise by attending external training, etc. In addition, the staff in charge of management of pension assets check the records, policies, systems, processes, etc. of management of pension assets conducted by said institutions, and comprehensively evaluate financial instruments for investment and said institutions. In addition, the Company holds a regular meeting of the “Pension Asset Management Committee,” which is composed of officers in charge of accounting, personnel, and internal control departments, the representative of the labor union, and others, to check the records of management of pension assets, deliberate and approve related policies, and confirm the soundness of pension financing and the appropriateness of in-house management systems.

The Company entrusts several Japanese institutions that have adopted the Japanese Stewardship Code for handling accumulated funds with the management of pension assets, while leaving the exercise of voting rights to them, so as to avoid a conflict of interest between beneficiaries and the Company.

[Principle 3-1]

(1) Management Philosophy

Nippon Denko has formulated the following management philosophy.

(Management Philosophy)

Helping create an affluent future through sustainable growth by developing and providing distinctive products, technologies, and services.

This is described in our website, too. Please refer to it.

URL: <https://www.nippondenko.co.jp/en/company/governance/>

(2) Basic approach and policy for corporate governance

Please refer to Section I-1 “Basic Approach” of this report.

(3) Policy and procedures used by the Board of Directors for determining the remuneration of the senior management and Directors

a. Policy for determining remuneration

- (a) As a basic policy, remuneration for senior management and Directors (excluding Directors who belong to the Audit and Supervisory Committee and Outside Directors, same as in the policies mentioned below) shall be an appropriate level based on the position in charge and performance of the Company.

In detail, the remuneration for the senior management and Directors shall be composed of fixed monetary remuneration, performance-linked monetary remuneration and stock remuneration. For Outside Directors, who have the supervising function, the Company pays only fixed monetary remuneration, while considering their duties.

- (b) Fixed monetary remuneration shall be paid on a monthly basis, and its amount shall be determined in accordance with the Company’s standards, which stipulate that remuneration shall be paid while considering the positions and managerial tasks of the senior management and Directors, corporate business performance, and so on.

- (c) Performance-linked monetary remuneration shall be bonuses, which are paid while considering the business performance in the previous fiscal year, etc. The total amount shall be determined with reference to consolidated ordinary profit of the Company, which is an indicator of results of business activities, allocated according to the positions of the senior management and Directors, and paid in a specified period every year.
- Non-monetary remuneration shall be the shares of the Company (with restrictions on transfer) for giving an incentive to improve the corporate value of the Company sustainably and sharing value with shareholders further, and its amount shall be determined in accordance with the Company's standards, which stipulate that the number of shares of the Company to be given shall be determined while considering the positions and managerial tasks of the senior management and Directors, corporate performance, and so on, and provided in a specified period every year.
- (d) Regarding the composition of remuneration for the senior management and Directors, fixed monetary remuneration is mainly paid, while performance-linked monetary remuneration and non-monetary remuneration are added with appropriate ratios while considering their business types and categories.
- (e) For Directors who belong to the Audit and Supervisory Committee, the Company shall pay only fixed monetary remuneration while considering their duties.
- (f) Regarding monetary remuneration and stock remuneration, the total amount was determined at the 124th Annual General Meeting of Shareholders held on March 28, 2024.
- As of March 2008, Nippon Denko abolished a retirement benefit plan for Directors.
- b. Procedure for determining remuneration
- Monetary remuneration of senior management and Directors shall be determined based on the aforementioned policies by the President & CEO under the supervision of the Board of Directors including independent Outside Directors and with the authority of the Board of Directors. Non-monetary remuneration of senior management and executive directors shall be determined by the Board of Directors including independent Directors based on the aforementioned policies.
- c. Review body for matters related to remuneration
- Nippon Denko established the "Executive Personnel and Remuneration Meeting," in which Outside Directors constitute the majority, and said meeting discusses the appropriateness of the amount of remuneration for each position and each person, with reference to external data, and considers revising the remuneration levels, calculation methods, etc. according to changes in the business environment as appropriate.
- The Board of Directors and the President & CEO shall revise the executive remuneration standards appropriately based on the results of the review by the Executive Personnel and Remuneration Meeting.
- (4) The Board of Directors' policy and procedures for nominating candidate directors, appointing and dismissing senior management
- a. Policy for appointing and dismissing senior management and nominating candidate directors
- When appointing senior management and nominating candidate directors of the Company, the Board of Directors conducts deliberations and makes decisions while taking into account the details of the Nippon Denko Group's businesses, issues to be addressed, and the experience, knowledge, etc. of each person, to realize optimal scale and composition for the consolidated management of the Company from the viewpoint of improvement in medium/long-term corporate value.
- The Board of Directors of the Company is composed of Directors who had worked for the Company and possess specialized capabilities and knowledge for each business of the Company and Outside Directors who possess the experience and knowledge of diverse businesses, expertise, insight, and a neutral, objective perspective, so as to realize diversity and a good

- balance. We think that the current scale is appropriate for making decisions swiftly in response to changes in the business environment and developing an effective corporate governance system.
- b. Nomination of candidate directors and appointment of directors at executive posts
The nomination of candidate directors and appointment of directors at executive posts shall be determined by the Board of Directors, while comprehensively considering abilities, qualities, leadership, past business performance, etc.
 - c. Nomination of candidate directors who belong to the Audit and Supervisory Committee
The nomination of candidate directors who belong to the Audit and Supervisory Committee shall be determined by the Board of Directors while comprehensively considering fairness, universality, independence, the composition of the Audit and Supervisory Committee after appointment, etc. in addition to the above-mentioned items after obtaining the consent of the Audit and Supervisory Committee.
 - d. Appointment of executive officers (excluding directors at executive posts)
The appointment of executive officers (excluding directors at executive posts) shall be determined by the President & CEO who was authorized by the Board of Directors in accordance with the Regulations for Executive Officers, while comprehensively considering abilities, qualities, leadership, past business performance, etc., and the results shall be reported to the Board of Directors.
 - e. Dismissal of senior management
Internal regulations stipulate the requirements for dismissing senior management. When a senior management member satisfies said requirements, he/she will be dismissed through a resolution of the Board of Directors.
 - f. Organization for discussing items regarding personnel affairs of the senior management and Directors
As an organization for broadly discussing items regarding personnel affairs of the senior management and Directors, the Company established the Executive Personnel and Remuneration Meeting, which is composed of independent Outside Directors and the President & CEO. Said meeting shall be chaired by the President & CEO, who collects appropriate opinions from independent Outside Directors when necessary.
- (5) Explanations on the appointment, dismissal, and nomination when the Board of Directors appoints or dismisses senior management or nominates candidate directors
When determining candidate directors, the Board of Directors shall make sure that the diversity and appropriate size of the Board of Directors will be secured and at least one of Directors who belong to the Audit and Supervisory Committee possesses sufficient knowledge of finance and accounting.
The dismissal of any director at an executive post shall be determined by the Board of Directors, in accordance with the Regulations for Punishment on Executives.
The dismissal of executive officers (excluding directors at executive posts) shall be determined by the President & CEO authorized by the Board of Directors and the results shall be reported to the Board of Directors, in accordance with the Regulations for Punishment on Executives.
Regarding the appointment of senior management and the nomination of candidate directors, the biography of each person shall be mentioned in the reference material for “securities reports” and “convocation notice of general meeting of shareholders.” Every time posts, duties or responsibilities of Directors and senior management are changed or they are dismissed, the Company will issue a press release to explain the nomination, appointment, or dismissal of each person.

[Supplementary Principle 3-1 (iii)]

Our management philosophy is to help create an affluent future through sustainable growth by developing and providing distinctive products, technologies, and services.

Under this philosophy, we consider sustainability to be a key management strategy for achieving both of

the aims of “contributing to solving social issues through our business activities” and “increasing our corporate value through sustainable growth.” Specifically, we are committed to promoting sustainability in the context of the following material issues.

- Take on challenges to achieve carbon-neutrality in 2050, aiming for the conservation of a sustainable global environment and realization of a decarbonized society.
- Provide products, technologies, and services that contribute to decarbonization and circular economy while creating new business opportunities to contribute to the realization of a sustainable society.
- Create values through management focusing on human capital, such as D&I, and human resource development.
- Implement fair and equitable purchasing, ensuring the business partners’ commitment for human rights, environmental protection, etc.
- Increase corporate value over the medium/long-term through constructive communication with the stakeholders.

In our efforts thus far, the Company has been striving to grow sustainably and resolve societal issues. Going forward, we face major changes in societal circumstances, and it is becoming even more important to strike a balance between sustained improvement of corporate value and achieving a sustainable society by solving societal issues. Therefore, to promote efforts toward sustainability and further improve corporate value over the medium/long-term, we established a Sustainability Committee on January 1, 2022.

Regarding the disclosure of information related to climate change following the TCFD Recommendations, Nippon Denko has disclosed the outline of related initiatives in our integrated report issued in March 2023 and our website.

(Integrated Report: <https://www.nippondenko.co.jp/en/ir/library/annual/>)

(Website: <https://nippondenko.co.jp/en/sustainability/environment/>)

[Supplementary Principle 4-1 (i)]

Regarding items other than those to be resolved by the Board of Directors specified by laws, regulations, the Articles of Incorporation, and the Regulations for the Board of Directors, the Board of Directors of the Company leaves decisions to the senior management, including the President & CEO, while specifying the detailed requirements, etc. in the Regulations for Decision-making Authority, and receives reports regularly to oversee them.

The Company has adopted the executive officer system, for the purposes of streamlining business administration by making decision making swifter and clarifying responsibilities.

[Principle 4-9]

Nippon Denko formulated the standards and policy for judging independence when appointing independent Outside Directors, with reference to Tokyo Stock Exchange’s standards for judging independence. In addition, we think that one of the standards for appointing them is that there is no risk of a conflict of interest with general shareholders.

[Supplementary Principle 4-10 (i)]

Nippon Denko established the “Executive Personnel and Remuneration Meeting,” in which independent Outside Directors constitute the majority, as mentioned in Section “II Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight.”

In addition, we strive to tighten governance by establishing an organization where independent officers account for one third or more of Directors.

[Supplementary Principle 4-11 (i)]

The Board of Directors of Nippon Denko is composed of Directors who had worked for the Company and possess specialized capabilities and knowledge for each business of the Company and Outside Directors who possess the experience and knowledge of diverse businesses, expertise, insight, and a neutral, objective perspective, so as to achieve composition to focus on diversity and strike a good balance. For your information, the skill matrix, which summarizes the expertise and experience of each Director, is included in the last page of said report.

[Supplementary Principle 4-11 (ii)]

When determining candidate directors, Nippon Denko checks whether each candidate can fulfill his/her roles and duties appropriately, while considering their concurrent posts as officers of other listed companies or the like. The concurrent posts of Directors as officers of other listed companies are disclosed with reference material for "convocation notice of Annual General Meeting of Shareholders" and so on every year.

URL: <https://www.nippondenko.co.jp/en/ir/meeting/>

[Supplementary Principle 4-11 (iii)]

Based on a questionnaire survey targeted at all Directors and Audit & Supervisory Board Members, the analysis of the results and the exchange of opinions, Nippon Denko evaluated the effectiveness of the Board of Directors in FY 2023 at the meeting of the Board of Directors held in February 2024. As a result, it was confirmed that all of the operation of the Board of Directors, resolutions, reports, and deliberation time were appropriate. In addition, it was concluded that the effectiveness of the Board of Directors of the Company has been secured from a comprehensive viewpoint, because discussions were held openly and vigorously from the diverse perspectives of Directors and Audit & Supervisory Board Members from inside and outside the Company.

On the other hand, we will discuss measures for dealing with the issues extracted through the evaluation of the effectiveness of the Board of Directors, such as "strengthening of the supervision of the business portfolio and the deepening of discussions thereof" and "strengthening of the supervision of sustainability and the deepening of discussions thereof."

An outside organization creates, collects, and analyzes part of the evaluation questionnaire on the effectiveness of the Board of Directors to ensure transparency and effectiveness. We use the results of our annual evaluations to continue to improve governance on an ongoing basis.

[Supplementary Principle 4-14 (ii)]

Nippon Denko has formulated the following policies.

- (1) The Company holds training about necessary items for fulfilling the roles, responsibilities, and duties of inside and outside Directors.
- (2) For Outside Directors, the Company explains the management philosophy, businesses, etc. of the Company when they are appointed, and makes efforts to deepen their understanding of the businesses of the Company even after the appointment.
- (3) The Board of Directors checks whether or not the above two policies are followed appropriately, through Directors' evaluation of the effectiveness of the Board of Directors.

[Principle 5-1]

Nippon Denko has formulated the following policies.

- (1) We make efforts to further promote constructive dialogue with our shareholders from the perspectives of achieving sustainable growth and improving corporate value over the medium/long-term.

- (2) The Director in charge of the General Affairs Department oversees dialogues with shareholders and investors, and the various internal departments including the General Affairs Department collectively share information and work to improve measures.
- (3) We work to enhance dialogue by proactively providing information and meticulous Q&As to shareholders in General Meeting of Shareholders as well as IR information meetings and individual small meetings to investors.
- (4) We have a system to provide feedback from shareholders and investors to the Board of Directors in a timely and appropriate manner as needed.
- (5) We have a system to prevent leaks of insider information in dialogues with shareholders.

The dialogue based on the above policies held in 2023 is as follows.

- a. The person who mainly engaged in dialogue with shareholders: Executive officer in charge of IR
- b. Outline of shareholders who attended the dialogue:
Interview for IR (mainly institutional investors): 12 Japanese companies (24 times), 2 foreign companies (5 times)
- c. Major dialogue themes and shareholders' concerns: Business performance, share price, shareholder return policy, etc.
- d. Feedback on opinions and concerns of shareholders grasped through the dialogue to the management and the Board of Directors
As mentioned in the above policy (4), the details of the dialogue are regularly reported to the Board of Directors.

[Principle 5-2]

[Measures for realizing business administration focused on the cost of capital and share price]

In "Medium/Long-Term Business Plan – Toward 'Our Ideal State' in 2030," Nippon Denko set the goal of achieving an ROE of 10% or higher, exceeding cost of shareholder's equity, and announced that we aim to improve corporate value through continuous efforts.

Reference: Medium/Long-Term Business Plan - Toward "Our Ideal State" in 2030-Page 9

URL: <https://www.nippondenko.co.jp/en/shared/pdf/2024plan.pdf>

2. Capital Structure

Foreign Shareholding Ratio	Less than 10%
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[Status of Major Shareholders]

Name or Company Name	Number of Shares Owned	Percentage (%)
NIPPON STEEL CORPORATION	30,314,480	22.09
The Master Trust Bank of Japan, Ltd. (Trust Account)	11,816,000	8.61
Mizuho Bank, Ltd.	4,000,000	2.92
Custody Bank of Japan, Ltd. (Trust Account)	2,703,500	1.97
Nippon Denko Business Partner Stock Ownership Association	2,248,800	1.64
Nittetsu Mining Co., Ltd.	2,100,000	1.53
Custody Bank of Japan, Ltd., Retirement Allowance Trust, Mizuho Trust & Banking Co., Ltd.	1,728,000	1.26
JP MORGAN CHASE BANK 385781	1,267,807	0.92
Mizuho Trust & Banking Co., Ltd.	1,250,000	0.91
Nippon Denko Employees' Shareholding Association	1,239,490	0.90

Name of Controlling Shareholder, if applicable (excluding Parent Companies)	_____
Name of Parent Company, if applicable	Not applicable

Supplementary Explanation

Shareholding ratio has been calculated after deducting 2,497 treasury shares.

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Prime Market
Fiscal Year-End	December
Business Sector	Iron & Steel
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	500 or more but fewer than 1,000
Net Sales (Consolidated) for the Previous Fiscal Year	¥10 billion or more but less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Fewer than 10

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

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

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

1. Organizational Composition and Operation

Corporate Governance System	Company with an Audit and Supervisory Committee
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[Directors]

Number of Directors Stipulated in Articles of Incorporation	15
Directors' Term of Office Stipulated in Articles of Incorporation	1
Chairperson of the Board	President & CEO
Number of Directors	11
Election of Outside Directors	Elected
Number of Outside Directors	6
Number of Independent Directors	5

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k		
Kazutoshi Ohmi	From another company													
Kazunari Itami	From another company					△		△	△					
Hokuto Nakano	From another company					△								
Masahiro Tani	From another company													
Hiroaki Kimura	From another company					○		○						
Aogi Suemura	From another company													

*Categories for "Relationship with the Company".

(Use "○" 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; and "▲" when a close relative of the director fell under the category in the past.)

- Person who executes business for the Company or its subsidiary
- Person who executes business for a non-executive director of the Company's parent company
- Person who executes business for a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for said person/entity
- Major client of the Company or a person who executes business for said client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company in addition to remuneration as a director/company auditor

- g. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
- h. Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to director him/herself only)
- i. Person who executes business for another company that holds cross-directorships/cross-editorships with the Company (applies to director him/herself only)
- j. Person who executes business for an entity receiving donations from the Company (applies to director him/herself only)
- k. Other

Outside Directors' Relationship with the Company (2)

Name	Membership of Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Kazutoshi Ohmi		○	—	<p>[Reason for appointing him as an Outside Director] We considered that Mr. Kazutoshi Ohmi would utilize his expertise, plenty of experience and broad insight accumulated through the management of multiple enterprises for the business administration of the Company.</p> <p>[Reason for designating him as an independent officer] He has never become an executive of a major business partner or shareholder of the Company, so he satisfies the standards for independence set by Tokyo Stock Exchange, and does not have a direct stake in the Company or an employer thereof. Accordingly, he is not under the control of the Company or an employer thereof, so he is independent, and there will be no conflict of interest with general shareholders.</p>

Kazunari Itami	○	○	<p>Mr. Kazunari Itami is from Nippon Steel Corporation (a major business partner and shareholder of the Company) and Nippon Steel Technology Co., Ltd. (a business partner of the Company). Nippon Steel Corporation buys our products, and the amount of transactions in FY 12/2023 was 49,148 million yen/year.</p>	<p>[Reason for appointing him as an Outside Director] We considered that Mr. Kazunari Itami would utilize his knowledge on the management department and plenty of experience and insight accumulated so far for audits of the Company.</p> <p>[Reason for designating him as an independent officer] He is not an executive of a major business partner or shareholder of the Company, so he satisfies the standards for independence set by Tokyo Stock Exchange, and does not have a direct stake in the Company or an employer thereof. Accordingly, he is not under the control of the Company or an employer thereof, so he is independent, and there will be no conflict of interest with general shareholders.</p>
Hokuto Nakano	○	○	<p>Mr. Hokuto Nakano is from Mizuho Bank, Ltd., which is a major financing bank of the Company. The amount of borrowings from this bank accounts for nearly 40% of the total debt of the Nippon Denko Group (as of the end of FY 12/2023).</p>	<p>[Reason for appointing him as an Outside Director] We considered that Mr. Hokuto Nakano would utilize plenty of experience and insight about international finance, financial affairs, and accounting, which have been accumulated for many years, for the business administration of the Company.</p> <p>[Reason for designating him as an independent officer] He is not an executive of a major business partner or shareholder of the Company, so he satisfies the standards for independence set by Tokyo Stock Exchange, and does not have a direct stake in the Company or an employer thereof. Accordingly, he is not under the control of the Company or an employer thereof, so he is independent, and there will be no conflict of interest with general shareholders.</p>

Masahiro Tani	○	○	—	<p>[Reason for appointing him as an Outside Director] We considered that Mr. Masahiro Tani would utilize his experience and insight of organizational management and DX in manufacturing sites inside and outside Japan, which have been accumulated for many years, for the business administration of the Company.</p> <p>[Reason for designating him as an independent officer] He is not an executive of a major business partner or shareholder of the Company, so he satisfies the standards for independence set by Tokyo Stock Exchange, and does not have a direct stake in the Company or an employer thereof. Accordingly, he is not under the control of the Company or an employer thereof, so he is independent, and there will be no conflict of interest with general shareholders.</p>
Hiroaki Kimura	○		Mr. Hiroaki Kimura is an executive of Nippon Steel Corporation (a major business partner and shareholder of the Company). Nippon Steel Corporation buys our products, and the amount of transactions in FY 12/2023 was 49,148 million yen/year.	<p>[Reason for appointing him as an Outside Director] We considered that Mr. Hiroaki Kimura would utilize plenty of experience and insight accumulated in other companies for audits of the Company.</p>

Aogi Suemura	○	○	—	<p>[Reason for appointing her as an Outside Director] We considered that Ms. Aogi Suemura would contribute to the audit and supervision of the business administration of the Company with plenty of knowledge and insight on corporate accounting and management as a certified public accountant, which have been accumulated for many years, and her viewpoint as a woman.</p> <p>[Reason for designating her as an independent officer] She has never become an executive of a major business partner or shareholder of the Company, so she satisfies the standards for independence set by Tokyo Stock Exchange, and does not have a direct stake in the Company or an employer thereof. Accordingly, she is not under the control of the Company or an employer thereof, so she is independent, and there will be no conflict of interest with general shareholders.</p>
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[Supervisory Committee]

Composition of Supervisory Committee and Attributes of the Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Committee Chair
Supervisory Committee	5	1	0	5	Outside Director

Appointment of Directors and/or Staff to Support the Supervisory Committee	Appointed
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Matters Concerning Independence of Said Directors and/or Staff from Executive Officers/Reasons for Adopting Current System

We established the secretariat of the Audit and Supervisory Committee and employed staff (secretariat members), to assist said committee in smooth operations. We do not have any Directors who support the duties of the Audit and Supervisory Committee. Secretariat members engage in operations under the instruction of the Audit and Supervisory Committee. For the replacement, evaluation, etc. of secretariat members, General Manager of the Personnel Department shall consult with the Audit and Supervisory Committee in advance. With this

system, we secure the independence of secretariat members from Executive Directors and the chain of command and the effectiveness of instructions from the Audit and Supervisory Committee.

Cooperation among the Supervisory Committee, Accounting Auditors and Internal Audit Department

The Audit and Supervisory Committee makes efforts to share information and cooperate with the Internal Control Department and accounting auditors, and regularly holds meetings, including sessions for exchanging opinions with the President & CEO and sessions for receiving reports on audit plans and results from accounting auditors, to realize fair audits.

In addition, the Internal Control Department mutually reports audit plans and results to the Audit and Supervisory Committee and accounting auditors and regularly exchanges opinions with them in order to cement the mutual cooperation among the Audit and Supervisory Committee and accounting auditors for proper audits.

[Voluntary Established Committee(s)]

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee	Established
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Status of Voluntarily Established Committee, Attributes of Members Constituting the Committee and the Committee Chairperson

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Executive Personnel and Remuneration Meeting	4	0	1	3	0	0	Inside Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Executive Personnel and Remuneration Meeting	4	0	1	3	0	0	Inside Director

Supplementary Explanation

The "Executive Personnel and Remuneration Meeting," in which the President & CEO serves as chairperson and Outside Directors constitute the majority, holds a meeting when necessary, to discuss the personnel affairs about the senior management and Directors, assess the appropriateness of the amount of remuneration, and revise remuneration levels, calculation methods, etc. timely and appropriately according to changes in the business environment.

In addition, we are reviewing the composition of said meeting. As soon as the new composition is determined, we will update information.

[Matters Concerning Independent Directors]

Number of Independent Directors	5
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Other Matters Concerning Independent Directors

We referred to Tokyo Stock Exchange's standards for judging independence, when formulating our standards or policies for judging the independence of Outside Directors. Another requirement is that there is no risk of causing a conflict of interest with general shareholders.

[Incentives]

Implementation Status of Measures related to Incentives Granted to Directors	Other
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Supplementary Explanation for Applicable Items

Through the resolution at the 119th Annual General Meeting of Shareholders held on March 28, 2019, we adopted a system for treasury share-based remuneration (with restrictions on transfer) for giving our Directors, excluding Outside Directors, an incentive to improve our corporate value in a sustainable manner and sharing value with shareholders.

Persons Eligible for Stock Options	
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Supplementary Explanation for Applicable Items

[Director Remuneration]

Status of Disclosure of Individual Director's Remuneration	No Disclosure for any Directors
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Supplementary Explanation for Applicable Items

Annual remuneration for 4 Directors (excluding Outside Directors): 155 million yen
Annual remuneration for Audit and Supervisory Committee members (excluding outside Audit and Supervisory Committee members): None
Annual remuneration for 7 outside officers (excluding an unpaid outside Audit and Supervisory Committee member): 56 million yen

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

Please refer to "(3) Policy and procedures used by the Board of Directors for determining the remuneration of the senior management and Directors" of Principle 3-1 of Section I-1 "Disclosure

Based on each Principle of the Corporate Governance Code” of this report.

[Support System for Outside Directors]

- (1) At the monthly meetings of the Board of Directors, we report the situation of business execution to each Outside Director, and distribute reference material and give explanations regarding the items to be deliberated and reported at each meeting of the Board of Directors to each Outside Director in advance.
- (2) The General Affairs Department serves as the secretariat of the Board of Directors, fulfilling functions to communicate with Outside Directors and conduct coordination, including the distribution of notifications and reference materials to Outside Directors and scheduling, so that necessary information is conveyed without fail.

2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System)

The outline and approach of the current corporate governance system are mentioned in Section I-1 “Basic Approach” of this report. Please refer to them as well as the following supplementary explanations about business execution, audits, supervision, nomination, determination of remuneration, etc. and the schematic diagram at the end of this report.

(1) Business execution

In Nippon Denko, the Board of Directors makes important decisions about business execution, including items to be resolved by the Board of Directors specified by laws, regulations, the Articles of Incorporation, and the Regulations for the Board of Directors. Some important decisions about business execution are left to Directors.

(2) Audits and supervision

a. Supervision by the Board of Directors

In Nippon Denko, the Board of Directors, which is composed of 11 Directors (including 6 Outside Directors), makes important decisions about overall business administration and supervises overall business execution.

For details, please refer to Section II-3 “Reasons for Adoption of Current Corporate Governance System” of this report.

We have signed contracts for specifying that the limit of liability described in Article 423, Paragraph 1 of the Companies Act shall be the minimum liability amount set forth in Article 425, Paragraph 1 of the Companies Act with Directors (excluding Executive Directors, managers, and other employees), so that Directors can fulfill their expected roles to a sufficient degree when executing their duties.

b. Audits by the Audit and Supervisory Committee

The Audit and Supervisory Committee monitors the business operation of Directors and the status of governance from neutral and fair perspectives, to secure the sound growth of the Nippon Denko Group based on an appropriate corporate governance system.

The Audit and Supervisory Committee is composed of 5 Directors, who are all Outside Directors. Four among them were registered as independent officers at Tokyo Stock Exchange.

Mr. Kazunari Itami, who is a standing member of the Audit and Supervisory Committee, chairs the Audit and Supervisory Committee and other members are Mr. Hokuto Nakano, Mr. Masahiro Tani, Mr. Hiroaki Kimura, and Ms. Aogi Suemura, who are Directors who belong to the Audit and Supervisory Committee.

We have signed contracts for specifying that the limit of liability described in Article 423, Paragraph 1

of the Companies Act shall be the minimum liability amount set forth in Article 425, Paragraph 1 of the Companies Act with Audit and Supervisory Committee members, so that they can fulfill their expected roles to a sufficient degree when executing their duties.

For information on the system of the Audit and Supervisory Committee, please refer to Section II-3 “Reasons for Adoption of Current Corporate Governance System” of this report.

c. Accounting audits

Nippon Denko has signed an audit contract with Ernst & Young ShinNihon LLC, to undergo audits in accordance with the Companies Act, the Financial Instruments and Exchange Act, etc. Certified public accountants in charge of accounting audits for Nippon Denko can conduct said audits for up to 7 years. The assistants in audits are 5 certified public accountants and 11 people in charge of audits. We have no special stake in said auditing corporation nor executive employees of said auditing corporation engaging in audits for Nippon Denko.

d. Internal audits

Regarding internal audits, the Internal Control Department continuously audits each department and each group company in cooperation with the members of the Audit and Supervisory Committee and accounting auditors. The basic policy for internal audits is to review and evaluate the systems for managing and conducting business activities of Nippon Denko and the status of business execution from the viewpoints of legality, rationality, and risk control, provide information on audit results, and give proposals for improvement and rationalization, in order to preserve the assets of the Company, streamline business administration and then contribute to the continuous corporate growth.

(3) Nomination and determination of remuneration

Please refer to “(3) Policy and procedures used by the Board of Directors for determining the remuneration of the senior management and Directors” and “(4) The Board of Directors’ policy and procedures for nominating candidate directors, appointing and dismissing senior management” of “Principle 3-1” of Section I-1 “Disclosure Based on each Principle of the Corporate Governance Code” of this report.

3. Reasons for Adoption of Current Corporate Governance System

Nippon Denko makes continuous efforts to tighten corporate governance with the aim of achieving sustainable growth and improving corporate value. We chose to be “a company with the Audit and Supervisory Committee” in order to streamline decision making and business execution processes by transferring part of decision-making authority for the execution of important operations from the Board of Directors to Directors, deepen discussions on medium/long-term management policies, and strengthen the supervisory functions of the Board of Directors, thus tightening corporate governance and improving corporate value further.

(1) Board of Directors

In Nippon Denko, the Board of Directors, which is composed of 11 Directors (including 6 Outside Directors), makes important decisions about overall business administration and supervises overall business execution.

So that the Board of Directors could make decisions appropriately from diverse viewpoints and strengthen the supervising function, 6 Outside Directors were appointed at the 124th Annual General Meeting of Shareholders held on March 28, 2024, and 5 Directors among them were registered as independent officers at Tokyo Stock Exchange. We believe that corporate governance can be tightened by enhancing the supervising and overseeing functions of independent Outside Directors.

The Board of Directors of the Company is chaired by the President & CEO Yasushi Aoki, and other members are Yoshimi Yamadera, Jiro Kobayashi, Masakazu Tsumoda, Yasuhide Miyake, Kazutoshi Ohmi,

Kazunari Itami, Hokuto Nakano, Masahiro Tani, Hiroaki Kimura, and Aogi Suemura, who are Directors.

(2) Audit and Supervisory Committee

The Audit and Supervisory Committee monitors the economic activities of Directors and the status of governance from neutral and fair perspectives, to secure the sound growth of the Nippon Denko Group based on an appropriate corporate governance system. The Audit and Supervisory Committee is composed of 5 Directors, who are all Outside Directors. Four among them were registered as independent officers at Tokyo Stock Exchange.

Mr. Kazunari Itami, a Director who is a standing member of the Audit and Supervisory Committee, chairs the Audit and Supervisory Committee and other members are Mr. Hokuto Nakano, Mr. Masahiro Tani, Mr. Hiroaki Kimura, and Ms. Aogi Suemura, who are Directors who belong to the Audit and Supervisory Committee.

Furthermore, our system for the Audit and Supervisory Committee sufficiently maintains neutrality and objectivity in the function of supervising business administration based on the following points, and we have established a system for appropriate corporate governance entrusted by shareholders, so the Company has established an appropriate governance system and is operating it effectively as a company with an Audit and Supervisory Committee, securing the effectiveness of supervision of business administration.

- a. The Audit and Supervisory Committee makes appropriate judgments from the independent and objective viewpoint, while considering the fiduciary responsibility toward shareholders, to fulfill its roles and duties.
- b. In engaging in supervision, Directors who belong to the Audit and Supervisory Committee make efforts to secure transparent, fair decision making of the Company and establish an environment in which the Company can make decisions swiftly and boldly, exercise their authority proactively and actively without becoming conservative too much, and appropriately express their opinions to the Board of Directors and the management.
- c. While keeping the purposes of the Companies Act in mind, the Audit and Supervisory Committee will improve its effectiveness by organically combining the firm independence of Outside Directors who belong to the Audit and Supervisory Committee and the advanced information gathering skill of a Director who is a standing member of the Audit and Supervisory Committee.
- d. So that Outside Directors who belong to the Audit and Supervisory Committee can polish their information gathering skills with no effect on their independence, the Audit and Supervisory Committee shall allow them to attend regular meetings of the Audit and Supervisory Committee, meetings with the President and CEO, etc. when necessary, while a Director who is a standing member of the Audit and Supervisory Committee makes efforts to share necessary information he has obtained, to ensure the cooperation with Outside Directors.
- e. The nomination of candidate directors who belong to the Audit and Supervisory Committee shall be determined by the Board of Directors while considering their abilities, qualities, past business performance, etc. and comprehensively taking into account fairness, universality, independence, the composition of the Audit and Supervisory Committee after appointment, etc. after obtaining the consent of the Audit and Supervisory Committee.
- f. The Board of Directors shall make sure that at least one of Directors who belong to the Audit and Supervisory Committee possesses sufficient knowledge of finance and accounting, at the time of making a decision in the above item.

III. Implementation of Measures for Shareholders and Other

Stakeholders

1. Measures to Vitalize General Meeting of Shareholders and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Posting of Notice of the General Meeting of Shareholders	We dispatch a “convocation notice of General Meeting of Shareholders” by the deadline specified by laws and regulations (at least two weeks prior to General Meeting of Shareholders).
Electronic Exercise of Voting Rights	We have established an environment in which voting rights can be exercised via the Internet by using a PC or smartphone.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	The Company has been registered in the platform for exercising voting rights for “institutional investors,” which is operated by ICJ, Inc.
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	“Convocation notices” and “Reference material regarding General Meeting of Shareholders” have been translated into English, and they are available in the websites of Nippon Denko and Tokyo Stock Exchange.
Other	We have adopted a system for electronically providing reference material regarding General Meeting of Shareholders. “Reference material regarding General Meeting of Shareholders” is uploaded to the websites of Nippon Denko and Tokyo Stock Exchange by the deadline specified by laws and regulations (at least three weeks prior to General Meeting of Shareholders).

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Regular Investor Briefings held for Analysts and Institutional Investors	We hold a financial results briefing session for IR twice a year (reporting interim and annual results).	Held
Online Disclosure of IR Information	We disclose convocation notices of General Meeting of Shareholders, securities reports, brief reports on financial results, reference material for financial results briefing sessions for IR, correspondence to shareholders, and other items to be disclosed.	
Establishment of Department and/or Placement of a Manager in Charge of IR	The Director in charge of the General Affairs Department manages all dialogues with shareholders and investors, and the Publicity and IR Section has been established in the General Affairs Department.	
Other	We hold meetings for security analysts and for institutional investors.	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	<p>“Management Philosophy,” “Corporate Conduct Charter of the Nippon Denko Group,” and “Employee Conduct Guidelines of the Nippon Denko Group” stipulate provisions regarding the respect for stakeholders’ standpoints, such as a provision that the Company shall make efforts to properly cooperate with stakeholders while recognizing that the sustainable growth of the Company and the creation of medium/long-term corporate value are attributable to the provision of resources and contribution by various stakeholders, including employees, customers, business partners, creditors, and local communities.</p>
Implementation of Environmental Preservation Activities and CSR Activities, etc.	<p>Considering the pursuit of sustainability as an important management strategy, the Nippon Denko Group has established the “Sustainability Committee” to implement concrete measures and regularly report the situation to the Board of Directors. In addition, our initiatives, the status of implementation of them, etc. are disclosed in our integrated report. (https://nippondenko.co.jp/en/ir/library/annual/)</p> <p>Considering the following five items as material issues, this committee aims to “contribute to the resolution of societal issues through our business activities” and “increase our corporate value through sustainable growth” through group-wide initiatives.</p> <p>Material issues</p> <ul style="list-style-type: none"> ·Take on challenges to achieve carbon-neutrality in 2050, aiming for the conservation of a sustainable global environment and realization of a decarbonized society. ·Provide products, technologies, and services that contribute to decarbonization and circular economy while creating new business opportunities to contribute to the realization of a sustainable society. ·Create values through management focusing on human capital, such as D&I, and human resource development. ·Implement fair and equitable purchasing, ensuring the business partners’ commitment for human rights, environmental protection, etc. ·Increase corporate value over the medium/long-term through constructive communication with the stakeholders.
Formulation of Policies, etc. on Provision of Information to Stakeholders	<p>We disclose accurate information in a timely manner by utilizing websites, etc.</p>

IV. Matters Concerning the Internal Control System

1. Basic Views on Internal Control System and Status of Development

The Nippon Denko Group has formulated the Corporate Conduct Charter of the Nippon Denko Group and the Employee Conduct Guidelines of the Nippon Denko Group in order to establish corporate ethics, observe the laws in Japan and overseas and the spirit thereof, and earn trust as a good corporate citizen. We have set up a permanent Internal Control Committee with the aim of promoting company-wide compliance activities and established a help desk for receiving inquiries and reports so that we can identify and correct wrongdoings as swiftly as possible, if any.

As part of our risk management system, the permanent Internal Control Committee is responsible for managing and mitigating management risks, and for various risks that may arise in overall business activities, we share information with the Audit and Supervisory Committee and submit risk analysis and countermeasures as well as reports and written opinions to the Board of Directors regularly or as needed. In the unlikely event that a business crisis which may lead to a significant loss occurs, we will immediately set up a Crisis Management Headquarters and implement procedures to promptly take the necessary actions in order to minimize the damage and impact.

(Progress of development of an internal control system)

The Board of Directors of the Company has passed a resolution on the “Basic Policy on Internal Control” as follows as a system for ensuring proper business activities.

The Company strives to become a corporation that gains the trust of society while enhancing our corporate value and ethics pursuant to our management philosophy and the Corporate Conduct Charter of the Nippon Denko Group.

In addition, so as to comply with related laws and regulations and ensure the reliability of our financial reports and the effectiveness and efficiency of our business activities, we developed and properly operate the following internal control systems (including systems for ensuring proper business activities) and endeavor to continuously improve them from the perspective of further enhancement of our corporate governance.

- (1) Matters required for the execution of the duties of the Audit and Supervisory Committee
 - (i) Matters regarding the Directors and the employees who are appointed to assist the Audit and Supervisory Committee in its duties
We established the secretariat of the Audit and Supervisory Committee and employed secretariat members, to assist said committee in smooth operations. We do not have any Directors who support the duties of the Audit and Supervisory Committee.
 - (ii) Matters regarding the independence of the secretariat members from other Directors (excluding the Directors who belong to the Audit and Supervisory Committee), and matters in regard to ensuring the effectiveness of instructions given by the Audit and Supervisory Committee to the secretariat members
Secretariat members engage in operations under the instruction of the Audit and Supervisory Committee. For the replacement, evaluation, etc. of secretariat members, General Manager of the Personnel Department shall consult with the Audit and Supervisory Committee in advance. With this system, we secure the independence of secretariat members from Directors responsible for the duties (Executive Directors) and the chain of command and the effectiveness of instructions from the Audit and Supervisory Committee.
 - (iii) System allowing the Directors and the employees of the Company and the subsidiaries to deliver reports to the Audit and Supervisory Committee

The Directors (excluding the Directors who belong to the Audit and Supervisory Committee), the executive officers, the department heads, and other employees of the Company shall share information with the Audit and Supervisory Committee by delivering reports directly or through the Company's relevant organizations, such as the Internal Control Department, to the Audit and Supervisory Committee about how the duties are executed, how the internal control systems are developed and operated (including the operation of the internal whistleblower system; hereinafter the same), major accidents and incidents, and other matters concerning risk management in a timely and appropriate manner pursuant to relevant laws and regulations or the Company's internal regulations, and by giving reports on other important matters related to business operations in meetings of the Board of Directors, executive committee, the Internal Control Committee, etc.

Furthermore, the Directors, the Audit and Supervisory Committee members, and the employees of the subsidiaries shall present reports directly or through the Company's relevant organizations, such as the Internal Control Department, to the Audit and Supervisory Committee about how the duties are executed, how the internal control systems are developed and operated, major accidents and incidents, and other matters concerning risk management in a timely and appropriate manner pursuant to relevant laws and regulations or the Company's internal regulations.

- (iv) System for ensuring that persons who deliver a report as specified in the preceding item are not treated disadvantageously because of the report

The Company and the subsidiaries do not treat anyone who has delivered a report as specified in the preceding item disadvantageously because of the report.

- (v) Matters regarding policies on how to process expenses that arise out of the execution of the duties of the Audit and Supervisory Committee

The Company records expenses that we regard necessary for the Audit and Supervisory Committee to execute the duties in budget. In regard to an urgent or temporary payment made by the committee, we accept a request from the committee for reimbursement of the expense after the payment.

- (vi) Other systems for ensuring that audits by the Audit and Supervisory Committee are performed effectively

The General Manager of the Internal Control Department cooperates closely with the Audit and Supervisory Committee on a regular basis or as needed by, for example, exchanging opinions about how the internal control systems are operated. In addition, the Company strives to develop an environment that allows the committee to carry out audits organizationally and efficiently.

- (2) System for ensuring that the execution of the duties of the Directors complies with relevant laws and regulations, and the Articles of Incorporation, and system for ensuring proper business activities of the corporate group consisting of the Company and the subsidiaries

- (i) System for ensuring that the execution of the duties of the Company's Directors complies with relevant laws and regulations, and the Articles of Incorporation <System for ensuring the Directors' compliance with relevant laws and regulations>

The Board of Directors makes important business decisions and receives reports on business administration in accordance with the Regulations for the Board of Directors. The Directors execute the duties assigned to each of them according to the decisions made by the Board of Directors and deliver reports to the Board of Directors.

- (ii) System regarding retention and management of information on the execution of the duties of the Company's Directors <Information management system>

All kinds of information on the execution of the duties of the Directors shall be properly recorded and retained as printed documents or via electronic media by thoroughly managing

information and formulating regulations for document management in accordance with the Regulations for Information Management. In addition, we ensure that such information and documents are available to the Directors and the Audit & Supervisory Committee members at all times.

- (iii) Rules and other systems regarding management of the risk of loss at the Company <Risk management system>

In the unlikely event that a business crisis which may lead to a significant loss occurs, we will immediately set up a Crisis Management Headquarters and swiftly take necessary action. The head of each department identifies and assesses business risks in their departments and executes their respective duties according to the authorities and responsibilities set forth in the internal regulations. Concerning such risks as safety and health, environment and disaster prevention, information management, intellectual property management, quality control, purchasing management, and reliability of financial reports, the relevant organizations at our Head Office develop rules and regulations from the company-wide perspective and ensure that all the departments have been well-versed in the rules and regulations.

- (iv) System for ensuring that the Company's Directors execute the duties efficiently <System for ensuring the efficiency of the duties>

The Directors strive for efficient execution of duties through efforts to set company-wide basic policies and numerical targets, which will be shared with the Directors and the employees, as medium-term business plans and thoroughly disseminate them in the Nippon Denko Group and to add agile measures by not only summarizing and reviewing performance targets of each department biannually but also repeatedly reviewing progress with performance targets during each fiscal year.

A resolution on execution of such matters as budget compilation, and investment and loan including capital investment, will be passed by the Board of Directors through deliberations by relevant committees and executive committee. Pursuant to the internal regulations, the executive officers, the general managers, or other related employees execute the duties that are based on decisions made by such organizations as the Board of Directors.

- (v) System for ensuring that the execution of the duties of the Company's employees complies with relevant laws and regulations, and the Articles of Incorporation <System for ensuring the employees' compliance with relevant laws and regulations>

The Company has formulated the Corporate Conduct Charter of the Nippon Denko Group and the Employee Conduct Guidelines of the Nippon Denko Group with the aim of enhancing the Nippon Denko Group's corporate ethics and making all employees comply with relevant laws and regulations, the Articles of Incorporation, and related internal regulations more thoroughly. In addition, we set up and operate an internal whistleblower system for dealing with inquiries and reports regarding compliance. The general managers of each department ensure that the employees in their departments thoroughly understand and comply with relevant laws, regulations, and rules concerning their own duties and endeavor to prevent violations of such laws and regulations. The employees of the Company are obliged to comply with relevant laws, regulations, and rules and appropriately execute their duties. We check the efficiency of our business activities and risks of misconduct through monitoring activities by the Internal Control Department. The Internal Control Department delivers reports about audit results to the Board of Directors and the Internal Control Committee as required. The employees of the Company are obliged to comply with relevant laws, regulations, and rules and appropriately execute their duties. Any employees who violated relevant laws or regulations will be punished severely in accordance with the rules of employment.

- (vi) System for ensuring proper business activities of the corporate group consisting of the Company and the subsidiaries <System concerning management of the corporate group>

The Company and each of the subsidiaries share business strategies with each other, operate business as a corporate group consisting of the Company and the subsidiaries, and thoroughly educate employees in such matters as business operation policies in accordance with the Company's management philosophy while taking into account the business characteristics of each company.

The Company draws up fundamental rules regarding management of the subsidiaries in such regulations as the Regulations for Management of Affiliated Companies and strives to enforce them appropriately. The Company supervises and audits each of the subsidiaries by sending the Directors and the Audit and Supervisory Committee members and carries out internal audits of each subsidiary regularly via the Internal Control Department.

Each subsidiary endeavors to enrich their policies on internal control by establishing and developing internal control systems centered on autonomous internal control and sharing information with the Company. The department in charge at the Company checks how each subsidiary implements internal control and, as necessary, provides support for improvement. The Internal Control Department grasps and assesses the status of internal control in the corporate group consisting of the Company and the subsidiaries, and gives instructions and advice to the department in charge and the subsidiaries. Specific systems based thereon are as follows:

- a. System for delivering reports to the Company about matters regarding the execution of the duties of the Directors and other relevant employees of the subsidiaries
The department in charge at the Company provides advice while requesting each subsidiary to deliver reports regarding matters important for the Company's consolidated business operations or for business operations of the relevant subsidiary, including business plans, important business policies, and settlement of accounts at each subsidiary.
- b. Regulations and other systems concerning management of the risk of loss at the subsidiaries
The department in charge at the Company requests each subsidiary to deliver reports about how they manage risks and provides advice.
- c. System for ensuring that the Directors of subsidiaries execute the duties efficiently
The department in charge at the Company assesses business performance of each subsidiary and offers support relating to management.
- d. System for ensuring that the execution of the duties of the Directors and employees of subsidiaries complies with relevant laws and regulations, and the Articles of Incorporation
The department in charge at the Company requests each subsidiary to deliver reports about compliance with relevant laws and regulations, and development and operation of internal control and provides necessary support and advice. In addition, it requests each subsidiary to present reports regarding any acts that may be against relevant laws and regulations and facts of violations of relevant laws and regulations at their companies, and swiftly reports in this regard to the Internal Control Department.

2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development

The Nippon Denko Group has clearly specified in the Corporate Conduct Charter of the Nippon Denko Group, the Employee Conduct Guidelines of the Nippon Denko Group, and other related internal regulations that we decisively confront anti-social forces and organizations that threaten social order and safety, and complies with the regulations.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Adopted
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Supplementary Explanation for Applicable Items

The summary of the “basic policies related to the way a person is to control the decisions on the financial and business policies of the Company” as stipulated in Item 3, Article 118 of the Ordinance for Enforcement of the Companies Act is as follows:

(1) Basic policy concerning the Company’s control

Considering stable and sustainable improvement of the corporate value as the top priority for our business operations, the Company makes daily efforts toward it. The Company, therefore, believes that a person who is to control the decisions on financial and business policies of the Company must be a person who fully understands the Company’s management philosophy, a wide variety of sources for the corporate value, and the relationship of trust with the stakeholders supporting the Company and is capable of ensuring and enhancing the common interests of shareholders as well as the Company’s corporate value in the medium/long-term.

The shares in the Company as a listing company are traded freely by a number of shareholders and investors through a stock exchange. Therefore, an ideal form for controlling the decisions on financial and business policies of the Company is, in principle, determined based on the will of the shareholders, and we believe that whether or not to accept a proposal for purchase of the Company’s shares that is accompanied by the transfer of the right to control the Company should be decided according to the will of all the shareholders eventually.

Not a few purchases or proposals for purchase of the Company’ shares on a large scale are inappropriate, including purchases intended obviously to abuse the Company’s shares, ones that may in fact force our shareholders to sell the shares they hold, ones that may damage the common interests of shareholders as well as our corporate value considering the purpose, and ones that do not allow the Board of Directors and the shareholders of the Company to have an adequate amount of information or time for considering the conditions of the purchase or the Board of Directors of the Company to have information or time for offering alternative plans. We believe that parties that conduct such large-scale purchase or offer a proposal for such large-scale purchase are not appropriate as a person who is to control the decisions on financial and business policies of the Company, and it is essential to build a framework for preventing large-scale purchase and other similar acts that are against the Company’s corporate value and the common interests of shareholders.

(2) Initiatives that contribute to the realization of the basic policy concerning the Company’s control

The officers and the employees of the Company all together are taking the following measures in order to enhance our corporate value and the common interests of shareholders so that a multitude of investors can continue to invest in the Company over the long term. We believe that these initiatives will contribute to realizing the basic policy concerning the Company’s control as specified in (i) above.

Initiatives toward enhancement of the corporate value through formation of a stronger management foundation

The Company has formulated the 9th Medium-Term Business Plan that ends in 2027 and framed specific policies to pursue for the coming four years.

We will establish a sounder earnings and financial structure by striving to boost the productivity and reduce inventories in the Ferroalloys Business. At the same time, we will propel forward research and development for manufacturing carbon-free ferroalloys with the aim of curbing CO2 emissions by 45% or more by 2030. Regarding the Overseas Business, we will continue stable production and open up markets by taking advantage of our competitive edge with green electricity provided by hydroelectric power generation.

In the Functional Materials Business, we will expand our zirconium oxide production capacity by 40% in order to fulfill the demand for electronic components that is expected to grow in the future. Furthermore, we will boost earnings by expanding sales of our one-of-a-kind products that contribute to eliminating geopolitical risks and by materializing the results of our research and development in the field of next-generation battery materials.

In the Incineration Ash Recycling Business, we will strive to increase the number of incineration ash melting furnaces from four to seven by 2030 by steadily conducting price pass-through of the rise in electricity and other costs in the treatment prices, securing greater cooperation with municipalities and local communities, and collecting larger quantities of incineration ash.

In the Aqua Solutions Business, we will enhance our capabilities in order to meet the demand for removing boron contained in the water released from industrial waste treatment plants. We will also contribute to development of a hydrogen society by expanding sales of our pure water production systems.

The Electric Power Business will make contribution to realizing carbon neutrality at the Company by ensuring long-term and stable earnings through the Feed-in Tariff (FIT) program and receiving non-fossil certificates while taking advantage of the environmental value of hydroelectric power generation.

The immediate steps that we will take are to build a stronger foundation towards the future by moving forward with development of infrastructure and enhancement of the structure of the operation and manufacturing departments and ironing out issues on a steady basis regarding sustainability policies, such as green transformation (GX) and digital transformation (DX), in research and development and the functionality department, and the Nippon Denko Group will work in unity and make every effort for reaching our "ideal state."

- (3) Summary of the system for preventing control over decisions on the Company's financial and business policies by a person who is deemed inappropriate in light of the basic policy concerning the Company's control

The Company resolved to continue the "Countermeasures Regarding a Large-scale Purchase of the Company's Shares" (hereinafter "the Plan") at the meeting of the Board of Directors held on February 24, 2023 as an initiative for preventing control over decisions on the Company's financial and business policies by a person considered inappropriate in light of the basic policy concerning the Company's control and ensuring and improving our corporate value and the common interests of shareholders, and obtained approval for continuing the Plan at the 123rd Annual General Meeting of Shareholders held on March 30, 2023.

Large-scale purchase of the Company's shares covered by the Plan is a purchase of the Company's share certificates, which is aimed at acquiring 20% or more of the voting rights to a specified shareholder group, or a purchase of the Company's share certificates, which consequently allows the purchaser to acquire 20% or more of the voting rights to a specified shareholder group, and parties that perform such purchase are referred to as "large-scale purchasers."

In the Plan, the basic rules for ensuring that information is provided and time is secured for consideration at the time of a large-scale purchase (hereinafter the "Large-scale Purchase Rules") stipulate that (1) a large-scale purchaser provides a necessary and adequate amount of information to the Board of Directors of the Company in advance and (2) after completion of the provision of

necessary information, a maximum of 60 days for a purchase of all the shares in the Company through a takeover bid in which the cost can be paid only by cash, or a maximum of 90 days for other large-scale purchases is set as a Board of Directors evaluation period during which the Board of Directors of the Company carries out assessment and consideration, and that large-scale purchase shall be begun after the Board of Directors evaluation period, or the shareholder consideration period if they are set.

In the Plan, in principle, no countermeasures will be implemented against large-scale purchase as long as a large-scale purchaser complies with the Large-scale Purchase Rules; provided, however, that we may take any possible countermeasures permitted by the Companies Act, other relevant laws and regulations, and the Company's Articles of Incorporation, within a necessary and reasonable range, such as allotment of stock acquisition rights without contribution, when a large-scale purchaser does not comply with the Large-scale Purchase Rules, or when the Company has determined that a large-scale purchase of the Company's shares significantly damages our corporate value and the common interests of shareholders, such as irreparable damage inflicted on the Company due to the purchase, even if a large-scale purchaser has complied with the rules. In regard to implementation of countermeasures, the Board of Directors consults an independent committee consisting of members elected from the Outside Directors or outside experts who are independent of the management that carries out the business of the Company about whether or not countermeasures should be imposed before implementation, and the independent committee provides advice within the Board of Directors evaluation period regarding whether or not countermeasures should be taken. The Board of Directors of the Company respects advice given by the independent committee as much as possible when making a decision on whether or not to impose countermeasures.

The Plan expires at the end of the 126th Annual General Meeting of Shareholders scheduled for March of 2026. Even while the Plan is effective,

- (i) A resolution is made at General Meeting of Shareholders of the Company to discontinue the Plan
- (ii) A resolution is made by the Board of Directors of the Company to discontinue the Plan, then the Plan shall be discontinued at that point.

- (4) Reasons to prove why the Plan is in line with the basic policy concerning the Company's control, is consistent with the corporate value of the Company and the common interests of shareholders, and is not intended to maintain positions of corporate officers of the Company

We believe that,

- (i) On the fact that the Plan meets the requirements of the guidelines regarding takeover defenses
- (ii) On the fact that the Plan has been introduced in order to secure and improve the common interests of shareholders
- (iii) On the fact that the Plan reflects the will of shareholders
- (iv) On the fact that the Plan prioritizes the judgment of highly independent outside persons and information disclosure
- (v) On the fact that the Plan is not a dead-hand type or slow-hand type countermeasure, the Plan is in line with the basic policy concerning the Company's control, is consistent with the corporate value of the Company and the common interests of shareholders, and is not intended to maintain the positions of management of the Company.

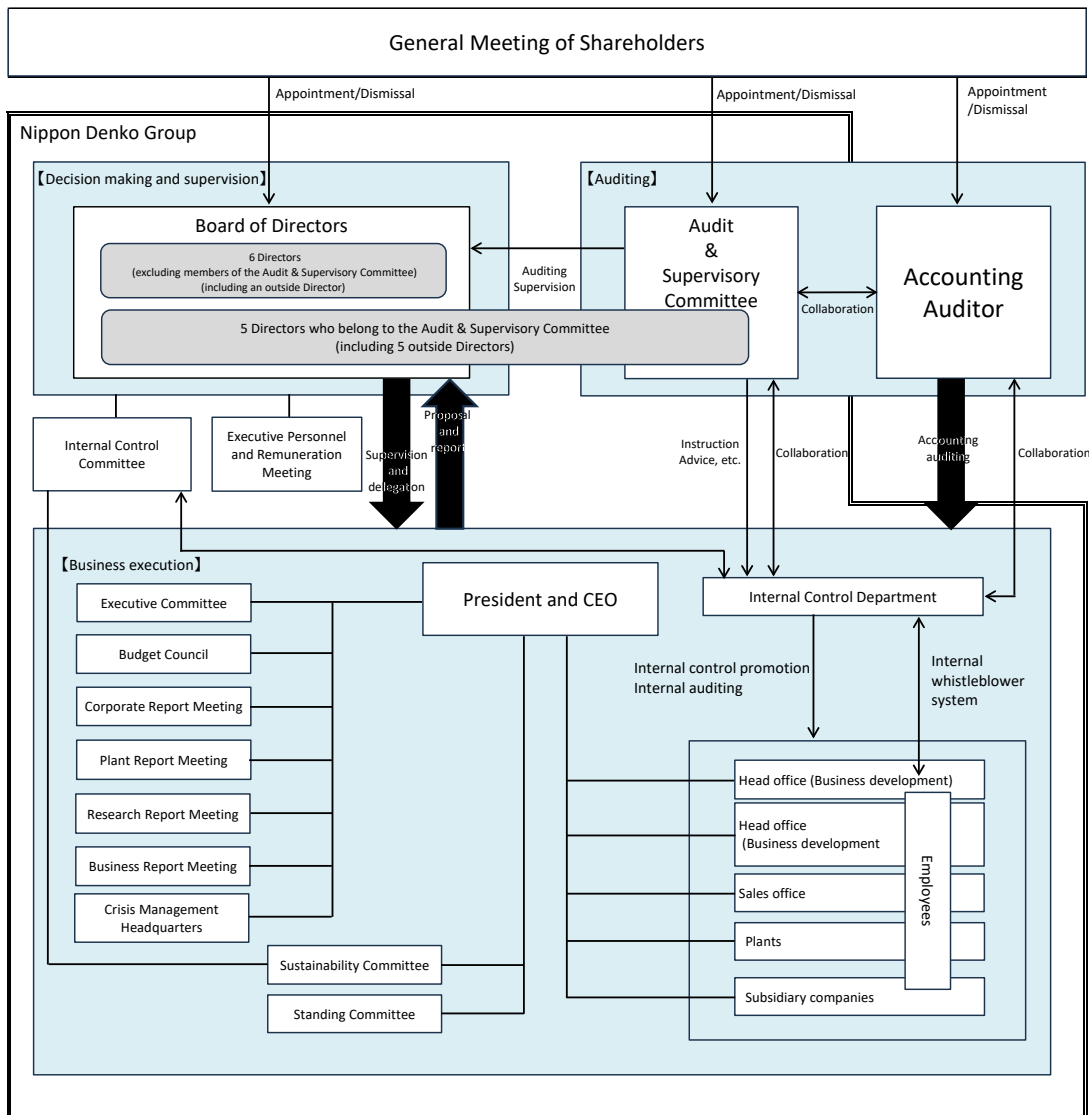
2. Other Matters Concerning the Corporate Governance System

- (1) Department in charge of timely disclosure

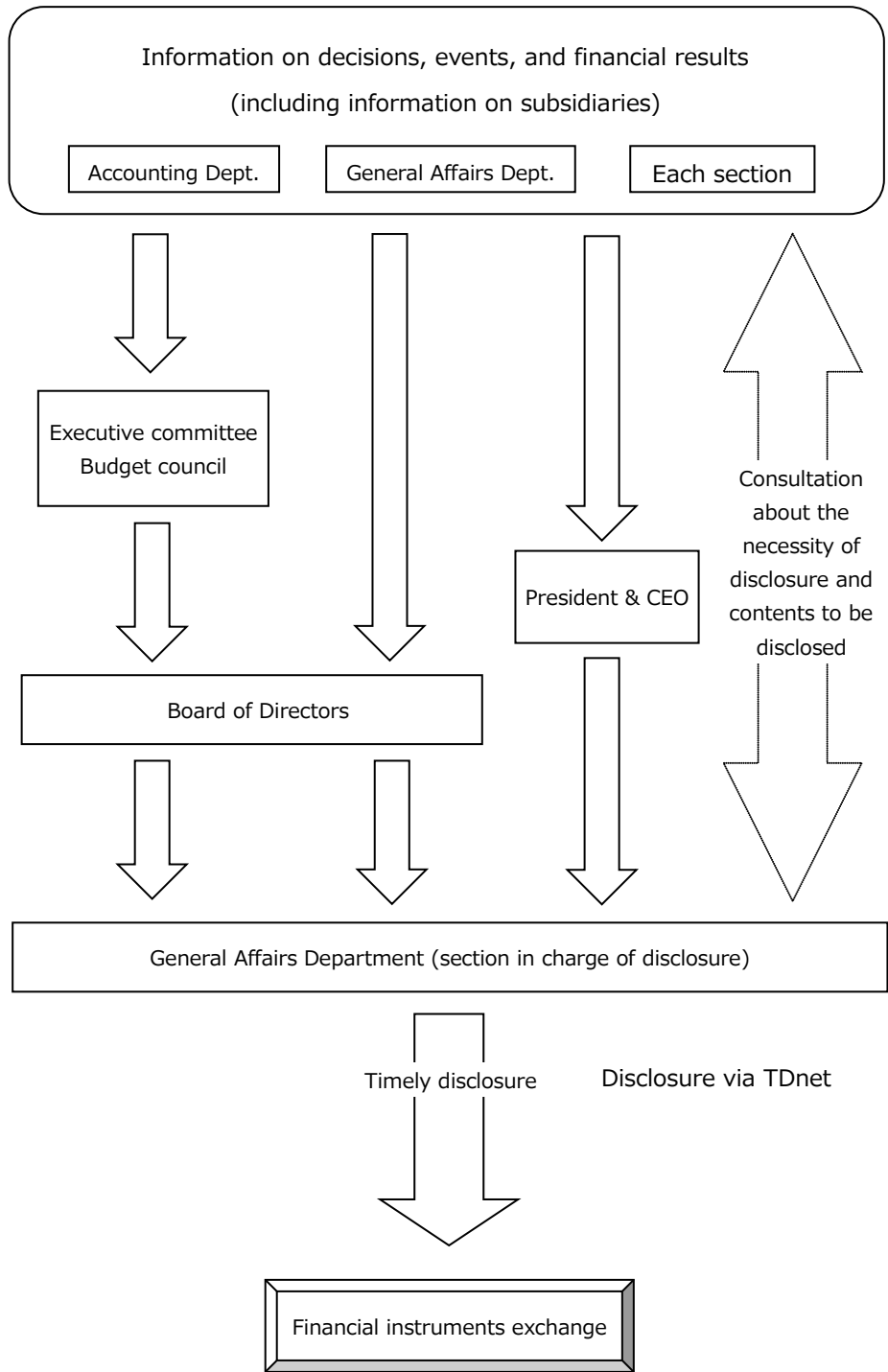
The Company, in principle, discloses information in a timely and appropriate manner in order to enhance the transparency of the business operations and provide information on the Company

swiftly, accurately, and fairly. Departments that deal with information that should be disclosed in a timely manner are as follows.

- (i) The General Affairs Department is in charge of gathering and managing information.
 - (ii) The General Affairs Department considers and determines whether or not information should be disclosed in a timely manner in accordance with such regulations as the Securities Listing Regulations through discussion with the Accounting Department, the Personnel Department, and the departments in charge of a relevant matter.
 - (iii) The General Affairs Department is in charge of disclosing information on the Company in a timely manner under the officer who is in charge of general affairs and serves as the person responsible for handling information.
- (2) Internal systems regarding timely disclosure of information on the Company
- (i) Decisions
The General Affairs Department discloses matters that are subject to timely disclosure and fall under the decisions specified by the Securities Listing Regulations and other relevant rules in a swift and timely manner through resolutions by the Board of Directors.
 - (ii) Events
The General Affairs Department centrally manages information, strives to gather information in cooperation with responsible departments, offices, and affiliated companies, and discloses relevant information in a swift and timely manner pursuant to such rules as the Securities Listing Regulations through resolutions by the Board of Directors when timely disclosure is deemed necessary because of possible impact on profit and loss or any other reasons.
 - (iii) Information on financial results
The Accounting Department plays a leading role in preparing values of financial results and forecasts and the General Affairs Department discloses information in a swift and timely manner pursuant to such rules as the Securities Listing Regulations through resolutions by the Board of Directors.



[In-company system for timely disclosure]



Skills matrix

Name	Title	Field							
		Corporate planning Business strategy	Finance and accounting Financial and economics	Personnel and labor Human resources development	Governance and risk management Legal and compliance	Production and technology Research and development	Sales and purchasing Marketing	Global	Environment Sustainability
Yasushi Aoki	President & CEO	●		●			●	●	●
Yoshimi Yamadera	Director and Senior Managing Executive Officer					●		●	●
Jiro Kobayashi	Director and Senior Managing Executive Officer	●					●	●	
Masakazu Tsumoda	Director and Managing Executive Officer			●	●		●		
Yasuhide Miyake	Director and Executive Officer	●	●						●
Kazutoshi Ohmi	Outside Independent Director	●					●	●	
Kazunari Itami	Outside Independent Director as Audit & Supervisory Committee Member	●		●	●				●
Hokuto Nakano	Outside Independent Director as Audit & Supervisory Committee Member		●				●	●	
Masahiro Tani	Outside Independent Director as Audit & Supervisory Committee Member			●		●		●	
Hiroaki Kimura	Outside Director as Audit & Supervisory Committee Member						●	●	
Aogi Suemura	Outside Independent Director as Audit & Supervisory Committee Member		●	●	●				

The above list does not show all of knowledge and experience of each Director.