

**Last Update: June 24, 2024**

**NAGASE CO., LTD.**

Hiroyuki Ueshima, Representative Director and President

Contact: Corporate Management Dept.

Corporate Administration Div.

Securities Code:8012

<https://www.nagase.co.jp/english/>

The corporate governance of NAGASE & CO., LTD (the “Company”) is described below.

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

### 1. Basic Views

We recognize our responsibility to society and offer beneficial products and services while maintaining the highest standards of integrity. Through our growth, we will contribute to society and enrich the lives of our employees.

Under this philosophy, we pursue the NAGASE Vision as a promise to our stakeholders that we will realize a sustainable world where people live with peace of mind, each of us embodies our value proposition, Identify, Develop and Expand through daily activities, and strives to improve our medium- and long-term corporate value.

We continue to strengthen corporate governance, as the Company believes that speed in decision-making and action and ensuring transparency are essential for executing the initiatives described above.

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

We comply with all principles set forth in the Corporate Governance Code.

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

Updated

##### Principle 1.4

<Cross-Shareholding Policy and Objectives>

To improve the group's corporate value in a sustainable manner, the Company may hold shares for strategic purposes when deemed necessary, taking into account the maintenance and strengthening of business relationships and business strategies.

The rationality of our cross-shareholdings is reviewed by the department in charge. This department examines whether the earnings from related transactions and dividends received, as well as the prospects for business expansion and synergies. The department also considers whether the stable supply of services essential to the group's corporate activities can be expected in the future. The board of directors reviews the results of this examination on an annual basis. In cases where shareholdings are deemed other than rational, the Company will proceed with the sale of such shares in stages, taking into consideration various circumstances, to reduce the size of the holding.

<Exercising of Voting rights>

We exercise voting rights appropriately, carefully reviewing the resolution in question and determining approval or disapproval in a comprehensive manner according to whether the measure contributes to the increased share price of the issuing company and whether the measure contributes to our own improved corporate value as a shareholder.

##### Principle 1.7

Before engaging in transactions with directors or major shareholders, the Company determines whether said transaction requires a resolution of the board of directors according to the Company's Board of Director Regulations or Regulations Governing Approvals. The company has also established the Conflict of Interest Management Committee, which consists of three individuals (chaired by the outside director), determines in advance with objectivity and transparency that the transaction does not apply to conflict of interest in the Group's business operations, reporting to and advising the board of directors.

##### Supplementary Principle 2.4(1)

Under the ACE 2.0 medium-term management plan, the Company aims for growth through quality driven by Profit Structure Reform and Corporate Culture Reform. We pursue three strategies to this end: (1) Cultivate innovative global talent capable of advancing change; (2) Promote safe, comfortable, and inspirational work styles and workplaces that encourage employees to take on challenges; and (3) Build a corporate culture that embraces diverse personalities and raise employee engagement. As a result of these efforts, we strive for the sustainable growth and development of our employees and the Company. Diversity is an indispensable part of the success of this strategy. Our policy is to hire and promote more women, non-Japanese, and mid-career hires to the executive officer system, which forms the core of human resources within the NAGASE Group. During fiscal 2024, we promoted four individuals from within these categories. We will continue to take global measures at each stage of the recruitment, retention, and promotion process, with particular emphasis on the advancement of women in our organization, which we regard as a high-priority issue.

We established two targets as indicators to achieve by fiscal 2025 related to the strategies above: (1) raise the ratio of women in career-track positions to 30% or more and (2) raise the ratio of women in managerial roles to 6% or more. In addition to these two targets, our general employer action plan, based on the Act on Promotion of Women's Participation and Advancement in the Workplace, provides a target of 70% or more for the percentage of employees taking paid leave. We are introducing several measures to achieve this target. See the following website for more on diversity-related initiatives at NAGASE. (<https://www.nagase.co.jp/english/sustainability/social/labor-practices/>)

#### Principle 2.6

The Company has adopted a contract-type defined benefit pension plan, establishing and managing an Asset Management Committee which serves as a body to provide basic policies for plan management, establish policies for plan asset composition, and review said policies. The Asset Management Committee is also responsible for evaluating and reviewing the contracted investment institution.

This contracted investment institution includes the Company's labor union and uses outside consultants in plan management, ensuring transparency and objectivity. The committee manages the plan appropriately to ensure no conflicts of interest occur between plan beneficiaries and the Company.

Further, the Company has established Operating Regulations for Corporate Pension Asset Management Committee to prevent any conflicts of interest. The Company appoints a plan manager who is well-experienced in finance and investing. This individual develops greater expertise through the guidance of outside consultants and performs regular monitoring of the investment institution.

#### Principle 3.1

##### (i), (ii)

We recognize our responsibility to society and offer beneficial products and services while maintaining the highest standards of integrity. Through our growth, we will contribute to society and enrich the lives of our employees.

Under this philosophy, we pursue the NAGASE Vision as a promise to our stakeholders that we will realize a sustainable world where people live with peace of mind, each of us embodies our value proposition, Identify, Develop and Expand through daily activities, and strives to improve our medium- and long-term corporate value.

We continue to strengthen corporate governance, as the Company believes that speed in decision-making and action and ensuring transparency are essential for executing the initiatives described above.

##### (iii)

See II Business Management Organization and Other Corporate Governance Systems Regarding Decision-making, Execution of Business, and Oversight in Management 1. Organizational Composition and Operation [Director Remuneration] in this report and 4 [Corporate Governance] (1) Corporate Governance 4. Director Remuneration in our annual securities report for more information related to policies and decision-making procedures regarding director compensation.

##### (iv), (v)

<Policies and Procedures for Selecting Executive Officers>

Candidates for executive officer are those individuals who demonstrate an honest character and who possess great insight and skills. Candidates must also possess operational experience, knowledge, and expertise. Candidates are selected by the representative director. After deliberations by the independent Nominating Committee, the board of directors then conducts deliberations and comes to a decision.

<Policies and Procedures for Selecting Directors and Members of the Audit & Supervisory Board>

As a rule, internal directors interim directors are selected from candidates who have experience as an executive officer. Candidates for outside director are individuals who demonstrate honest character and possess great insight and skill, providing insight from stakeholders in society from which they can raise issues to be addressed by the Company. Candidates are selected by the representative director. After deliberations by the independent Nominating Committee, the board of directors then conducts deliberations and comes to a decision. Finally, candidates are proposed before the general shareholders' meeting.

Candidates for member of the Audit & Supervisory Board are selected by the representative director from among individuals who meet conditions as provided in the Audit & Supervisory Board Audit Standards. After deliberations by the independent Nominating Committee, the board of directors conducts deliberations and comes to a decision. Finally, candidates are proposed before the general shareholders' meeting. The Company discloses the reasons for nominating each candidate for director in each candidate for member of the Audit & Supervisory Board within the reference materials included in the shareholders' meeting convocation notice.

The Company has established standards for the dismissal of directors and executive officers\*. After deliberations by the independent Nominating Committee as to the dismissal of individuals subject to any of the aforementioned standards, the board of directors conducts deliberations and comes to a decision. The Company performs dismissal procedures as necessary, disclosing the reasons for dismissal as applicable.

\*Dismissal Standards:

(1) Individual has committed an act of suspected illegality, unfairness, or bad faith, individual becomes subject to discipline under the provisions of Employment Regulations, individual has engaged in acts or speech damaging to the Company's reputation for profits, or individual has become otherwise ineligible, deemed unsuitable to serve in the capacity of corporate officer.

(2) Individual demonstrates insufficient performance of duties or results, and the board of directors determines that leaving said individual in the capacity of corporate officer is inappropriate.

#### Supplementary Principle 3.1 (3)

We recognize that sustainability initiatives are an important management issue. When we formulated our ACE 2.0 medium-term management plan, announced in May 2021, we analyzed the external environment and identified the most important issues for NAGASE and our shareholders: technological innovation, climate change and resource shortages, demographic changes, and industrial reorganization. We identified materialities based on the value we offer to stakeholders. With respect to climate change and resource shortages in particular, we established the Carbon Neutral Project under the Sustainability Committee. We plan to conduct scenario analyses incorporating climate-related risks and opportunities, identifying and disclosing these in line with the TCFD (Task Force on Climate-related Financial Disclosures), which we have endorsed.

In response to carbon neutrality, our NAGASE Carbon Neutral Declaration calls for virtually zero GHG emissions by 2050 (Scope 1 and 2). By 2030, we strive to reduce Scope 1 and 2 by 46% (vs. 2013) and Scope 3 by at least 12.3% (vs. 2020) and will consider updating our Scope 3 target through future dialogue with our supply chain. With respect to human capital, we established the Employee Engagement Project under the Sustainability Promotion Committee, and we strive to strengthen human capital by improving employee engagement.

Our sustainability initiatives, including initiatives related to climate change, are disclosed on our corporate sustainability website. <https://www.nagase.co.jp/english/sustainability/>

#### Supplementary Principle 4.1(1)

The board of directors functions to oversee business operations and make decisions regarding important business matters. The board also make decisions about important management issues, as well as important operational issues as provided by laws, relations, and the Company's articles of incorporation. The Company has established standards for those matters to be decided by the president, the director in charge, division general managers, or supervisory departments. We have established systems that clarify the division of responsibilities, allowing for speed in business management. We clearly define these standards in Board of Director Regulations and Regulations Governing Approvals.

#### Principle 4.9

The Company selects candidates according to independent standards provided by the financial instruments exchange, as well as the ability to raise issues to be addressed by the Company from the standpoint of our stakeholders and society.

#### Supplementary Principle 4.10(1)

As advisory bodies to the board of directors, the Company has established the Compensation Committee and the Nomination Committee, the majority of which consists of outside directors. Outside directors and outside members of the Audit & Supervisory Board meet the criteria for independence. We believe these individuals are fully capable of fulfilling the role to ensure the independence, objectivity, and, and transparency with respect to the nomination and compensation of the Company's management team at present. The Compensation Committee deliberates the design of compensation packages for directors and executive officers. The Nomination Committee deliberates the knowledge, experience, and abilities required of directors, as well as the diversity of the composition of the board of directors, specific proposals regarding appointments, and succession plans. Each committee provides reports and advice to the board of directors as necessary. In this way, these committees enhance the objectivity and transparency of the management nomination process within the Company.

#### Supplementary Principle 4.11(1)

The board of directors is composed of internal directors with business experience, knowledge, and expertise, and outside directors who have management experience, mainly at other companies, and who can raise issues based on the perspectives of stakeholders and society. This composition ensures that the board understands the status of business execution, can make decisions in a flexible and prompt manner, and can supervise business execution.

Under this basic policy, the board of directors consists of nine members, including three outside directors who are independent directors. More than one-third of the board of directors is composed of independent outside directors. Further, the Company pursues diversity in management, regardless of gender, nationality, or race. We believe we have secured a certain level of diversity in terms of gender and internationality, including the appointment of one female director. As well, many of our directors have worked overseas for several years (an average of six years of overseas service among our internal directors). The skills matrix for the board of directors, which indicates the roles required by NAGASE of its directors, is disclosed in notices of annual shareholders' meetings and is also posted on the Company's website.

#### Supplementary Principle 4.11(2)

The Company discloses the significant concurrent duties (including service as directors of other publicly traded corporations) performed by directors, members of the Audit & Supervisory Board, and candidates thereof on an annual basis in disclosure documents including shareholders' meeting convocation notice reference materials, business reports, and annual securities reports. The Company believes that the number of companies in which directors perform concurrent services is within a reasonable scope.

#### Supplementary Principle 4.11(3)

The Company analyzes and evaluates the effectiveness of the board of directors, believing in the importance of improving board effectiveness on an annual basis. In order to more proactively elicit frank opinions, we conduct anonymous surveys with all directors and Audit & Supervisory Board members. Respondents submit surveys directly to the survey directly to the external organization, ensuring the anonymity of the participants.

At a regular meeting held on June 14, 2024, the board of directors analyzed, discussed, and evaluated survey results based on the report of the aggregate results from the external organization.

Survey and interview results confirmed that our board of directors functions effectively, deliberating and making decisions in an appropriate and timely manner.

Status regarding improvements to the issues shared in the effectiveness evaluation conducted in the previous fiscal years is as follows. In terms of operations, we reviewed executive committees to speed up decision-making processes. Other efforts included providing discussion opportunities to better monitor management issues and holding deliberations on future growth strategies regarding the medium-term management plan.

At the same time, we identified further issues to address, including the further enhancement of discussions at board of director meetings, board monitoring, and continuous operational improvements. The Company board of directors gives due consideration in responding to issues based on the effectiveness evaluation and continues to engage in measures to enhance board functions.

#### Supplementary Principle 4.14(2)

The Company provides information related to the NAGASE Group Management Philosophy, corporate management, business activities, and organization to outside directors and outside members of the Audit & Supervisor Board. In this way, we help these individuals gain a deeper understanding of these topics.

The Company also provides opportunities at the Company's expense to help directors and members of the Audit & Supervisory Board (including outside directors and outside members) obtain the necessary knowledge to accomplish their roles and responsibilities.

#### Principle 5.1

Our basic policy is to conduct constructive dialogue with shareholders that contributes to sustainable growth and corporate value improvement over the medium and long term. As much as reasonable, we respond to meeting requests from shareholders the purpose of holding constructive dialogues.

The Company's director in charge of the Corporate Management Department in charge of Company investor relations. Our investor relations department works in cooperation with other internal departments to provide appropriate responses in creating opportunities for constructive dialogue with our shareholders.

The Company strives to provide information through various briefings, in-person meetings with domestic and foreign investors, facilities tours, and publication on our corporate website.

Information and requests received from shareholders through these and other dialogues are forwarded to the board of directors regularly. We manage information carefully in accordance with our Regulations for Preventing Insider Trading to prevent inside information from being disclosed during these dialogues.

(Implementation status of dialogue with shareholders)

For the specific details on the status of activities related to IR and their implementation, please refer to "2. IR Activities" in section III Implementation of Measures for Shareholders and Other Stakeholders below in this report and see the following website.

[https://www.nagase.co.jp/assetfiles/uploads/20231219\\_IR\\_01.pdf](https://www.nagase.co.jp/assetfiles/uploads/20231219_IR_01.pdf)

(Actions towards achieving management that is conscious of capital costs and stock prices)

Please refer to ACE 2.0 medium-term management plan. For the specific details, please see the following website.

ACE 2.0 medium-term management plan

<https://www.nagase.co.jp/english/company/management-policy/>

<https://www.nagase.co.jp/ir/library/results-briefing/20231130-2.pdf>

<https://www.nagase.co.jp/ir/library/results-briefing/20240524-2.pdf>

## 2. Capital Structure

Foreign Shareholding Ratio More than 20% less than 30%

[Status of Major Shareholders]

Updated

Name / Company Name	Number of Shares Owned	No. of Shares Held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	14,089,000	12.35
Custody Bank of Japan, Ltd. (Trust Account)	5,301,400	4.65
Sumitomo Mitsui Trust Bank, Limited	4,776,000	4.19
Sumitomo Mitsui Banking Corporation	4,377,000	3.84
NAGASE & CO., LTD. Own Share Investment Association	3,674,993	3.22
Nippon Life Insurance Company	3,589,133	3.15
Reiko Nagase	3,495,249	3.06
Nagase Shunzo Co., Ltd.	2,688,000	2.36
STATE STREET BANK AND TRUST COMPANY 505001	2,130,361	1.87
CGML PB CLIENT ACCOUNT / COLLATERAL	2,108,300	1.85

Controlling Shareholder (except for Parent Company) ———

Parent Company

None

Supplementary Explanation

Updated

- On August 20, 2010, BlackRock Japan Co., Ltd. submitted the following information to the Director-General of the Kanto Finance Bureau in connection with a substantial shareholding report (change report) concerning holdings of Company stock. However, we have not been able to confirm beneficial ownership status as of March 31, 2024. Accordingly, BlackRock Japan Co., Ltd. is not included in the Status of Major Shareholders above.

Name/Company Name	Number of Shares Held (Thousands)	(%)
BlackRock Japan Co., Ltd.	3,672	2.65
BlackRock Advisors (UK) Limited	654	0.47
BlackRock Fund Advisors	309	0.22
BlackRock Institutional Trust N.A.	1,057	0.76

- On February 6, 2023, Mitsubishi UFJ Financial Group, Inc. submitted the following information to the Director-General of the Kanto Finance Bureau in connection with a substantial shareholding report (change report) concerning holdings of Company stock. However, we have not been able to confirm beneficial ownership status as of March 31, 2024. Accordingly, Mitsubishi UFJ Financial Group, Inc. is not included in the Status of Major Shareholders above.

Name/Company Name	Number of Shares Held (Thousands)	(%)
MUFG Bank, Ltd.	1,836	1.52
Mitsubishi UFJ Trust and Banking Corporation	3,022	2.50
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	583	0.48

- On July 6, 2023, Sumitomo Mitsui Trust Bank, Limited submitted the following information to the Director-General of the Kanto Finance Bureau in connection with a substantial shareholding report (change report) concerning holdings of Company stock. However, we have not been able to confirm beneficial ownership status as of March 31, 2024. Accordingly, Sumitomo Mitsui Trust Bank, Limited is not included in the Status of Major Shareholders above.

Name/Company Name	Number of Shares Held (Thousands)	(%)
Sumitomo Mitsui Trust Bank, Limited	4,776	4.05
Sumitomo Mitsui Trust Asset Management Co., Ltd.	3,035	2.57
Nikko Asset Management Co., Ltd.	1,412	1.20

- On January 16, 2024, Silchester International Investors LLP submitted the following information to the Director-General of the Kanto Finance Bureau in connection with a substantial shareholding report (change report) concerning holdings of Company stock. However, we have not been able to confirm beneficial ownership status as of March 31, 2024. Accordingly, Silchester International Investors LLP is not included in the Status of Major Shareholders above.

Name or Trade Name	Number of Shares Held (Thousands)	(%)
Silchester International Investors LLP	5,581	4.73

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime Market
Fiscal Year-End	March
Type of Business	Wholesale trade
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 ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 to less than 100

### 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	a company with an Audit and Supervisory Board
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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	Chairman Excluding cases when serving concurrently as president
Number of Directors	Updated 9
Appointment Status of Outside Members of the Managing Board	Appointed
Number of Outside Directors	3
Number of Independent Directors	3

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

Name	Attribute	Relationship to the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Ritsuko Nonomiya	From another company												
Noriaki Horikiri	From another company								○				
Toshiaki Mikoshiba	From another company								△				

\* 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/Audit & Supervisory Board Member

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/Audit & Supervisory Board Members 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

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Ritsuko Nonomiya	○	—	Having experience in auditing and similar areas at KPMG Group, and in M&A and business development at UBS Group and GE Group, Ms. Nonomiya has high levels of financial and accounting knowledge, together with ample insight into and experience in corporate management. She has been appointed as an outside director so that she can use this knowledge and experience to make proposals concerning the Company's overall management, and she is expected to strengthen Group corporate governance as we conduct an increasing amount of business overseas. With the exception of her stock ownership in the Company, Ms. Nonomiya has no personal relationships, equity relationships, business relationships, or other interests in the Company. Therefore, we consider Ms. Nonomiya to be an outside director having no potential conflicts of interest with our general shareholders.
Noriaki Horikiri	○	Mr. Horikiri is serving as a Chairman and Chief Executive Officer at Kikkoman Corporation, one of our business partners. Although the Company conducts business transactions with Kikkoman Corporation, our purchases from Kikkoman Corporation amounted to less than 0.1% of the total of our cost of sales and our selling, general and administrative expenses during the fiscal year ending March 2024.	Mr. Horikiri has been involved in management of Kikkoman Corporation for many years and possesses advanced knowledge and extensive experience regarding corporate management. He will use this knowledge and experience to make proposals concerning the Company's overall management including overseas development and manufacturing activities, and is expected to enhance the Group's corporate governance. He is a chairman and chief executive officer at Kikkoman Corporation, with whom the Company conducts business transactions. However, we do not believe any significant special interests exist when considering the scope of these business transactions. In addition to the preceding, He has no personal relationships, equity relationships, business relationships, or other interests in the Company. Therefore, we consider him to be an outside director having no potential conflicts of interest with our general shareholders.
Toshiaki Mikoshiba	○	Mr. Toshiaki Mikoshiba served as the chairman of the Board of Directors for Honda Motor Co., Ltd., a business partner of the Company. Although the Company conducts business transactions with Honda Motor Co., Ltd., sales to said company amounted to less than 0.1% of Company net sales for the fiscal year ended March 2024.	Mr. Toshiaki Mikoshiba has been involved in the management of Honda Motor Co., Ltd. for many years and possesses advanced knowledge and extensive experience regarding corporate management. We expect him to use this knowledge and experience to make proposals concerning the Company's overall management, including overseas business development and sales activities, and we believe his participation will enhance NAGASE Group corporate governance. Accordingly, we have appointed Mr. Mikoshiba as an outside director. Mr. Mikoshiba has served as chairman of the Board of Directors of Honda Motor Co., Ltd., with whom the Company conducts business transactions. However, we do not believe any significant special interests exist when considering the scope of these business transactions. In addition to the preceding, Mr. Mikoshiba has no personal relationships, equity relationships, business relationships, or other interests in the Company. Therefore, we consider him to be an outside director having no potential conflicts of interest with our general shareholders.



Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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**Committee's Name, Composition, and Attributes of Chairperson**

	Committee's Name	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Committee Corresponding to Nomination Committee	Nominating Committee	5	0	2	3	0	0	Internal member of the Managing Board
Committee Corresponding to Remuneration Committee	Compensation Committee	4	0	1	3	0	0	Internal member of the Managing Board

**Supplementary Explanation**

The Nominating Committee consists of the majority of outside directors. The committee deliberates director appointments and succession plans, reporting to and offering advice to the board of directors. In this way, the committee accomplishes its role to enhance objectivity and transparency in the naming of Company senior management.

The Officer Remuneration Committee consists of a majority of outside directors. The committee deliberates the propriety of compensation levels and structures, reporting to and offering advice to the board of directors. In this way, the committee accomplishes its role to enhance objectivity and transparency in the process for determining direct compensation for Company directors and executive officers.

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum number of Audit & Supervisory Board Members stipulated	5
Number of Audit & Supervisory Board Members	4

**Cooperation among Audit & Supervisory Board Members, Accounting Auditor and the Internal Audit**

Members of the Audit & Supervisory Board hold regular meetings with the independent financial statement auditor, receiving explanations of audit plans and audit results. In addition to exchanging opinions related to the identification of risks, members also ask the independent financial statement auditor to provide explanations of their structure for audit quality assurance. In addition, members coordinate with the independent financial statement auditor as appropriate, including participation in visits to subsidiaries, asset observations, etc. Members of the Audit & Supervisor Board exchange information with the Audit Office, internal auditors, and audit divisions of domestic and international affiliated companies. Further, members receive reports about the status of internal controls related to financial reporting.

Appointment of outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	2
Number of independent officers designated from among outside Audit & Supervisory Board Members	2

## Outside Audit &amp; Supervisory Board Members' Relationship with the Company (1)

Updated

Name	Attribute	Relationship to the Company*													
		a	b	c	d	e	f	g	h	i	j	k	l	m	
Masaya Ishida	From another company											△			
Gan Matsui	Lawyer														

\* 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 accounting advisor of the Company or its subsidiaries

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

d. Audit & Supervisory Board Members of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

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

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board Member

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

j. Executive of a client or supplier company of the Company (which does not correspond to any off, g, or h)

(the Audit & Supervisory Board Member himself/herself only)

k. Executive of a company, between which and the Company outside directors/Audit & Supervisory Board Members are mutually appointed (the Audit & Supervisory Board Member himself/herself only)

l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)

m. Others

## Outside Audit &amp; Supervisory Board Members' Relationship with the Company (2)

Updated

Name	Designation as Independent	Supplementary Explanation of the Relationship	Reasons of Appointment
Masaya Ishida	○	In the past, Mr. Ishida worked for the Sumitomo Mitsui Banking Corporation, one of the Company's banks. Although the Company maintains an outstanding loan from the bank in question, the loan balance was less than 4.7% of Company's total assets as of the end of the fiscal year ended March 2024.	Mr. Ishida has a wealth of experience over many years in financial institutions, earning considerable knowledge regarding finance and accounting. Accordingly, it is our judgment that Mr. Ishida has the ability to appropriately execute the duties of an outside member of the Audit & Supervisory Board and we have therefore appointed him to this role. In the past, Mr. Ishida worked for the Sumitomo Mitsui Banking Corporation, one of the Company's banks. However, the Company maintains a high shareholder's equity ratio and a sound financial structure. We do not rely heavily on borrowings from financial institutions, resulting in minimal impact of financial institutions on Company management. Furthermore, Mr. Ishida has no personal relationships, equity relationships, business relationships, or other interests in the Company. Therefore, we consider him to be an outside member of the Audit & Supervisory Board having no potential conflicts of interest with our general shareholders.

Gan Matsui	○	—	Mr. Matsui has a wealth of experience and knowledge in legal matters. Accordingly, it is our judgment that Mr. Matsui has the ability to execute the duties of an outside member of the Audit & Supervisory Board and we have consequently appointed him to this role. With the exception of his stock ownership in the Company, Mr. Matsui has no personal relationships, equity relationships, business relationships, or other interests in the Company. Therefore, we consider Mr. Matsui to be an outside director having no potential conflicts of interest with our general shareholders.
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[Independent Officers]

Number of Independents

5

Matters relating to Independents

The Company designates all outside officer who satisfy the requirements of independent officers as such.

[Incentives]

Incentive Policies for Directors

Performance-linked Remuneration

Supplementary Explanation

Updated

The Company has determined a policy related to decisions on amounts and calculation methods for director remuneration after recommendations from the Compensation Committee, which consists of at least half outside directors, and deliberations by the board of directors. This basic policy ensures compensation is commensurate with the role and scope of responsibilities for each director, taking into consideration objective external data and business conditions, and that compensation serves as a standard for motivation to improve ongoing corporate value. Here, the target ratio for each remuneration type is monetary fixed (basic) remuneration between 50% and 70% to monetary performance-linked remuneration between 25% and 40% to non-monetary performance-linked remuneration between 5% and 10%, presuming 100% achievement of performance targets.

We selected profit attributable to owners of the parent, a measure of bottom-line profit, as an indicator for performance-linked remuneration and as an incentive to improve business results. We have also selected return on equity (ROE) as an incentive to improve capital efficiency. We calculate performance-linked remuneration based on profit attributable to owners of the parent by determining the basic amount of performance-linked remuneration based on consolidated earnings forecasts at the beginning of the period, multiplied by the ratio of net income to net income results of the previous fiscal year, and multiplied by performance compared with the consolidated earnings forecast at the beginning of the fiscal year, adjusted by individual assessments. Net income for the fiscal year ended March 2024 amounted to 22.4 billion yen. Remuneration based on ROE is calculated based on the degree of achievement of each fiscal year's target, with targets set for each fiscal year toward achieving the final target values in the medium-term management plan. ROE for the fiscal year ended March 2024 was 5.9%.

The Company will add ESG-related indicators to the performance-linked indicators beginning in fiscal 2024 to strengthen the relationship between sustainability-related initiatives and director remuneration.

Recipients of Stock Options

Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors' Remuneration

The Company does not disclose partial individual compensation.

Updated

Supplementary Explanation

- Compensation paid to directors and members of the Audit & Supervisory Board in service as of the fiscal year ended March 2024

The Company paid ¥271 million in compensation to ten directors and ¥83 million in compensation to four members of the Audit & Supervisor Board. Of this amount, a total of ¥71 million in compensation was paid to six outside officers. Payments to directors include in the amount of ¥120 million for the year ended March 2024, recognized as an expense for the period. In addition, the Company paid the equivalent of ¥13 million as employee bonuses for individuals serving concurrently as directors and employees. The aforementioned compensation includes payments to two directors and one Audit & Supervisor Board who retired upon the conclusion of the 108th regular shareholders' meeting held June 20, 2023.

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

The Company has determined a policy related to decisions on amounts and calculation methods for director remuneration after recommendations from the Compensation Committee, which consists of at least half outside directors, and deliberations by the board of directors. This basic policy ensures compensation is commensurate with the role and scope of responsibilities for each director, taking into consideration objective external data and business conditions, and that compensation serves as a standard for motivation to improve ongoing corporate value. Here, the target ratio for each remuneration type is monetary fixed (basic) remuneration between 50% and 70% to monetary performance-linked remuneration between 25% and 40% to non-monetary performance-linked remuneration between 5% and 10%, presuming 100% achievement of performance targets. Compensation for outside directors and members of the Audit & Supervisory Board reflects the individual's responsibilities and consists only of fixed (basic) compensation.

The Company pays the annual amount of fixed (basic) remuneration in equal monthly installments for performance-linked remuneration, monetary remuneration is paid in a lump sum at the end of June, and for non-monetary remuneration, we have introduced a performance-linked stock-based compensation plan. In the latter, shares are delivered through a trust set up by the Company equivalent to the number of points granted in proportion to position, achievement of performance targets, and other factors.

#### [Supporting System for Outside Directors]

The Company has assigned a department responsible for coordinating board of director meeting schedules, contacting meeting attendees, and providing materials and explanations prior to board meetings.

#### 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration

Updated

The Company has adopted the form of a company with an Audit & Supervisory Board. In addition, the Company has adopted an executive officer system to separate management and business execution to speed up decision-making and strengthen business execution. The Company's present management structure consists of nine directors (including three outside directors), 18 executive officers (including four who serve concurrently as directors), and four members of the Audit & Supervisory Board (two of whom are outside members).

The Company has defined the board of directors as the body that determines management policies and strategic decision-making, as well as the body that oversees business execution. The board meets regularly on a monthly basis, resolving important matters, discussing progress of the Company's business, and formulating policies. Members of the Audit & Supervisory Board follow audit policies and roles as determined by the Audit & Supervisory Board, attending meetings of the board of directors and other important meetings. As necessary, members request reports from subsidiaries and otherwise conducts audits related to performance of duties on the part of directors.

The Company has established the following voluntary committees to strengthen corporate governance functions. The Compensation Committee, which consists of four individuals (a majority of outside directors), deliberates the validity of compensation standards and systems, reporting to and advising the board of directors. The role of this committee is to improve objectivity and transparency in the director compensation decision-making process. The Nomination Committee, which consists of five individuals (a majority of outside directors), deliberates candidates for director and executive officer, as well as succession plans, reporting to and advising the board of directors. The role of this committee is to improve objectivity and transparency in the Company's nominations of senior managers. The Company has also established the following voluntary committees and committee structures: The Group Management Committee comprises executive officers appointed by the board of directors, and in principle, this meets regularly once a month to discuss management strategies, investment projects, and other important matters, and to support management decision-making. This serves as an advisory body that discusses matters resolved by the board of directors. The Conflict of Interest Management Committee, which consists of three individuals (chaired by the outside director), determines in advance with objectivity and transparency that the transaction does not apply to conflict of interest in the Group's business operations, reporting to and advising the board of directors. The Sustainability Committee is chaired by the President and comprises executive officers and senior management of Group companies. This formulates policies for promoting sustainability throughout the Group, establishes and maintains the promotion system, monitors measures and policies, and conducts educational activities within the Group.

The Risk Management & Compliance Committee serves as an advisory body to the board of directors to strengthen mechanisms not only for legal compliance, but also for risk management and compliance, including risks associated with corporate ethics. The Internal Control Committee deliberates basic policy for internal controls and monitors the structure and operation of mechanisms determined under the internal controls system to ensure the appropriateness of business operations. The Security Trade Control Committee ensures compliance with laws and regulations related to transactions and goods and technologies addressed by export-related regulations, including the Foreign Exchange and Foreign Trade Act.

Audits conducted by members of the Audit & Supervisory Board are conducted by four members who have a considerable amount of knowledge about finance and accounting, three of whom are full-time members (one outside member) and one of whom is a part-time member (outside members). In principle, the Audit & Supervisory Board meets on a monthly basis and otherwise as needed. At meetings, each member reports on audit activities and results, and members exchange opinions related to audit perspectives and other matters. To ensure the effectiveness of audits by members of the Audit & Supervisory Board, one individual with considerable knowledge of finance, accounting, and internal audits is assigned from the Audit Office (internal audit division) to act as audit staff.

Internal audits are conducted by a staff of 14 individuals having expert knowledge in internal audits, including certified auditors (CIA) and qualified internal auditors (QIA). These individuals conduct audits of the appropriateness and efficiency of business operations within the Company and subsidiaries based on Internal Audit Regulations.

The Company's financial statement audits are performed by the following designated limited liability partners to ensure a fair and unbiased audit.

None of the individuals mentioned below have been engaged in audits of the Company for more than seven consecutive years.

● Specified limited liability partners and managing executive partners

Name	Audit Corporation
Yoshifumi Mitsugi	Ernst & Young ShinNihon LLC
Takuya Suzuki	Ernst & Young ShinNihon LLC

The Company has executed limited liability agreements with outside directors Ritsuko Nonomiya, Noriaki Horikiri and Toshiaki Mikoshiba as well as with outside members of the Audit & Supervisory Board Masaya Ishida and Gan Matsui. These agreements, an overview of which follows, are based on the Company's articles of incorporation and Article 423.1 of the Companies Act.

• Outside directors shall be liable for compensation of damages to the Company at the minimum limit of liability as provided in Article 425.1 of the Companies Act when negligence of duties results in damage to the Company, but said outside director has acted in good faith and without gross negligence in the execution of their duties.

The Company provides directors and officers liability insurance naming directors, executive officers, and members of the Audit & Supervisory Board as the insureds. The insureds pay 10% of total premiums and the Company pays the remaining 90% of total premiums, which correspond to a special clause regarding indemnification for shareholder lawsuits. The insurance covers third party lawsuits, shareholder lawsuits, etc. The total amount to be paid by the insurance is limited, and in the event of an incident, a certain amount is to be borne by the individual directors and members of the Audit & Supervisory Board to ensure that the appropriate conduct of their respect duties is not impaired.

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

The Company believes that the current corporate governance system is the most reasonable system at present, as the system facilitates objective suggestions and advice from multiple independent outside directors, as well as objective and effective audits conducted impartially by highly expert and independent members of the Audit & Supervisory Board. In addition, the governance system ensures transparency, effectiveness, practicability, and soundness in management supervision and decision-making through coordination with various committees and councils that have been established on a voluntary basis.

### 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 notices of convocations of general shareholders' meetings	Notices are sent about three weeks prior to the scheduled date of the meeting
Scheduling AGMs Avoiding the Peak Day	In principle, we avoid holding general shareholders' meetings on days when numerous other companies hold their meetings.
Allowing Electronic Exercise of Voting Rights	The Company allows shareholders to exercise voting rights electronically through an electronic voting website ( <a href="https://www.web54.net">https://www.web54.net</a> ). Voting is allowed until 5:15 PM on the day before the general shareholders' meeting.
Participation in Electronic Voting Platform	The platform for electronic exercise of voting rights for institutional investors managed by Investors Communications Japan, Inc. is available.
Providing Convocation Notice in English	The Company provides endless translations of convocation notices, business reports, financial statements, etc. on the Company's website, the website of the Tokyo Stock Exchange, and the electronic voting platform operated by Investor Communications Japan, Inc.
Other	The Company publishes convocation notices for general shareholders meetings approximately about four weeks prior to the scheduled date of said meeting. This information is published on the Company's website, the website of the Tokyo Stock Exchange, and the electronic voting platform operated by Investor Communications Japan, Inc.

2. IR Activities

Updated

	Supplementary Explanations	Explanations by the Representative Himself /Herself
Preparation and Publication of Disclosure Policy	The Company's Code of Conduct for Risk Management & Compliance call for the Company to engage in the proactive and fair disclosure of corporate information to stakeholders to ensure transparency. See the Company's website for disclosures related to our Code of Conduct for Risk Management & Compliance.	
Regular Investor Briefings for Individual Investors	An executive officer (general manager of the Corporate Management Department) conducts company briefings for individual investors online roughly twice a year. We post the information materials from these briefings on the Company's corporate website.	No
Regular Investor Briefings for Analysts and Institutional Investors	The Company conducts investor briefings in May and November. The president of NAGASE & CO., LTD. provides an explanation of financial results and mid-term management plans, etc. These briefings are tended by approximately 60 persons, including analysts and institutional investors. The Company also holds small meetings necessary for analysts and institutional investors regarding our business and other topics.	Yes
Regular Investor Briefings for Overseas Investors	The Company holds regular in-person and online meetings with individual overseas institutional investors in Europe, the Americas, and Asia.	Yes
Posting of IR Materials on Website	The Company publishes investor relations communications on our corporate website. These communications include disclosures related to financial information, timely disclosure materials other than financial information, the Company's annual securities report and quarterly reports, shareholder meeting convocation notices (including English translations), presentation materials used in briefings for analysts and institutional investors, shareholder newsletters, integrated reports, corporate videos, etc. Our main investor relations webpage may be found at the following URL: <a href="https://www.nagase.co.jp/english/ir/">https://www.nagase.co.jp/english/ir/</a>	
Establishment of Department and/or Manager in Charge of IR	Department in Charge of Investor Relations: Corporate Management Department Director in Charge of Investor Relations: Director in Charge of the Corporate Management Department	
Other	The Company offers individual meetings and facility tours to analysts and institutional investors on an appropriate basis.	

	Supplementary Explanation
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Company's Management Philosophy states that we recognize our responsibility to society and offer beneficial products and services while maintaining the highest standards of integrity. Through our growth, we will contribute to society and enrich the lives of our employees. Guided by this statement, the Company created our Code of Conduct for Risk Management & Compliance to define rules for respecting the position of our stakeholders.
Implementation of Environmental Activities, CSR Activities etc.	In April 2000, the Company obtained ISO 14001 certification (international standard for environmental management systems). We conduct ongoing activities to improve our environmental management systems, including measures to achieve goals for reducing energy usage and general waste in our business processes. As part of our social contribution activities, the Company provides a grant to the NAGASE Science Technology Foundation to encourage science and technology development throughout Japan. For more information, see the Company's integrated report <a href="https://www.nagase.co.jp/english/ir/library/annual-report/">https://www.nagase.co.jp/english/ir/library/annual-report/</a> The Company's main Sustainability webpage can be found at <a href="https://www.nagase.co.jp/english/sustainability/">https://www.nagase.co.jp/english/sustainability/</a>
Development of Policies on Information Provision to Stakeholders	The Company's Code of Conduct for Risk Management & Compliance call for the Company to engage in the proactive and fair disclosure of corporate information to stakeholders to ensure transparency.
Other	The NAGASE Group believes that diversity is an important part of corporate strategy. We respect the ideas and views of a diverse workforce, encouraging active internal discussions and the creation of new ideas, which represent a source of competitive advantage. We believe this policy results in the growth of the NAGASE Group, as well as in the growth of every individual employee. <Policies and Initiatives on Women in the Workforce> As of March 2020, the Company had 22 women in managerial roles*. As of March 2024, the Company had 28 women in managerial roles. The number has risen gradually over time, and the Company plans to continue to hire and promote women in these roles. The Company created a guidebook defining systems supporting maternal care and child rearing to allow women to continue to work in the Company. Prior to taking leave for maternity or childcare and prior to returning to work employees meet with their workplace superior and a representative of the human resources department. Upon returning to work from childcare leave, official assistants and other employees take advantage of Company programs (during fiscal year ended March 2016, the Company raised the eligible age for children of employees working under the shorter-time work system, telework system, shift-work system, hourly paid leave system, etc.) to balance work duties and childcare obligations. During the fiscal year ended March 2023, the Company updated our general employer action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace. Our plan calls for increasing the percentage of women in career-track positions to at least 30% and the percentage of women in managerial roles to at least 6% by the end of March 2026. We are introducing several measures to ensure the success of this plan. As of March 2024, women accounted for 25% of career-track hires and 5% of managerial roles. * Managerial role is defined as an individual who oversees subordinates as part of their duties or equivalent without subordinates. <Work-Life Balance> The Company believes that work-life balance is a necessary part of promoting diversity. Providing a supportive work environment for a diverse employee base and facilitating work styles that balance work and life these two benefits for both company and employee. Accordingly, the Company is striving to reform attitudes and implement systems that support this balance. The Company sponsors a monthly Safety Committee meeting held jointly between labor and management. The major topics of this meeting include flexible work styles, encouraging taking paid vacation, and reducing overtime. The Company uses the results of workplace and work environment surveys in ongoing dialogue with employees to create more comfortable work environments. To reduce overtime, the Company has designated one day per week as a no overtime day. In addition, the company discloses overtime data by job description to promote operational efficiency and encourage a closer look at the status of overtime work. We will continue to create practical systems that provide more flexible work options for our employees.



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

a) Systems to ensure that Directors and employees execute their duties in accordance with laws and regulations and the Articles of Incorporation

1. Based on the concept that we recognize our responsibility to society and maintain the highest standards of integrity, we have taken several actions to establish and maintain a compliance system. These actions include formulating the Code of Conduct for Risk Management & Compliance and working to make the system one that ensures all officers and employees, including those of Group companies, conduct corporate activities in accordance with this code.
2. We established the Risk Management and Compliance Committee, which is composed of directors and employees who make all decisions related to risk management and compliance. When necessary, we appoint outside experts to prevent violations of laws, regulations, and the Articles of Incorporation.
3. For individual cases, decisions are made for each after a multifaceted assessment from a professional perspective, including from the perspective of legality, and based on pre-established internal rules and regulations.
4. In the event that the Company or a Group company becomes aware of a problem, such as a violation of laws or regulations, a process of prompt reporting, communication, and consultation is commenced with supervisors and relevant departments and then reported to the Risk Management and Compliance Committee, which immediately reports the matter to the board of directors and the Audit & Supervisory Board (or its members). In addition, the Risk Management and Compliance Committee has established a contact point so officers and employees, including those from Group companies, can directly issue reports and engage in consultations using the internal reporting system. This system is in place to prevent the neglect of or inaction against violations of laws, regulations, and the Articles of Incorporation arising from director or employee duties.
5. The Company strives to raise awareness of legal compliance among officers and employees, including those at Group companies, through training sessions conducted by outside experts and other means, and to ensure the permeation of the Company's Management Philosophy of said officers and employees.
6. The Company's Audit Office conducts internal audits of the execution of director and employee duties in accordance with the Internal Audit Regulations.

b) Systems for retaining and managing information relating to the execution of duties by Directors.

In accordance with internal rules and regulations, information related to the execution of director duties is recorded, either in writing or electronically, and stored and managed. Directors and Audit & Supervisory Board members have access to these materials at all times.

c) Rules relating to management of loss-related risks and other systems

1. The Risk Management and Compliance Committee has been established as an organization for the comprehensive management of risk of loss for the Company and Group companies, and a system has been created defining the committee's functions and authority, clarifying roles and responsibilities.
2. With regard to individual risks related to the Company and its Group companies' business activities, the respective departments in charge are responsible for establishing rules and guidelines, conducting training programs, preparing and distributing manuals, and etc.
3. For any newly arising risk, the Risk Management and Compliance Committee promptly appoints a responsible department for addressing the risk, and establishes an emergency response system ensuring prompt and appropriate communication of information in the event of an emergency within the Group.

d) Systems for ensuring the efficient execution of duties by Directors

1. The Company has clearly defined the board of directors as the body that determines management policies and strategic decision-making, as well as the body that oversees business execution. The board meets regularly on a monthly basis and holds other meetings on an ad-hoc basis as necessary.
2. The Group Management Committee consists of executive officers appointed by the board of directors, and in principle, meets regularly twice a month to discuss management strategies, investment projects, and other important matters to support business decision-making. Directors and Audit & Supervisory Board members may attend meetings of the Group Management Committee.
3. Under the executive officer system, organizational operations rules and divisions of work responsibilities stipulate the respective responsible persons, their responsibilities, and procedures for execution.

e) Systems for ensuring the proper implementation of business by the corporate group comprising a stock corporation and its subsidiaries

1. Systems for reporting to the Company on matters pertaining to the execution of duties by directors, etc., of subsidiaries
  - a. Operating standards have been defined between the Company and Group companies, creating a system that requires approval or reporting to the Company after decisions are made by the Group companies regarding certain matters.
  - b. In principle, the Company dispatches officers to Group companies to ensure proper operations.
2. Rules and other systems to manage the risk of loss by subsidiaries

The Company's Risk Management and Compliance Committee serves as the core driver for managing risks across the entire Group, working in cooperation with the Risk Management and Compliance Committees at major subsidiary companies to deliberate and make determinations on issues and measures related to the promotion of risk management, and deliberate and make determinations on important matters related to compliance for the entire Group. In addition, to further enhance the reliability of financial reporting, the Company is promoting efforts on a consolidated basis to document, evaluate, and improve the status of Group-wide internal controls and the process of preparing financial statements in accordance with the Financial Instruments and Exchange Act.

3. Systems to ensure subsidiary directors execute duties efficiently

Based on the medium-term management plan and fiscal year budget system, clear targets are assigned, and budget performance management is implemented for the Company and each Group company.

4. Systems for ensuring the execution of duties by subsidiary directors and employees complies with laws, regulations, and articles of incorporation

- a. The Company has established a system to ensure that all officers and employees of Group companies conduct their business activities in accordance with the Code of Conduct for Risk Management & Compliance by providing education to raise awareness about the code.
- b. The Company's Audit Office conducts internal audits at the Company and its Group companies in accordance with the Internal Audit Regulations.
- c. The Risk Management and Compliance Committee has established a contact point so that officers and employees, including those from Group companies, can directly issue reports and engage in consultations using the internal reporting system. This system is in place to prevent the neglect of or inaction against violations of laws, regulations, and the Articles of Incorporation arising from director or employee duties.

f) Matters pertaining to employees when Audit & Supervisory Board members request the appointment of employees to assist them in the execution of their duties.

Upon request from Audit & Supervisory Board members, in order to ensure their auditing effectiveness, the Company appoints employees to support the Audit & Supervisory Board members' work. Such employees are assigned to the Audit Office.

g) Matters pertaining to ensuring the independence of employees specified in the preceding paragraph from Directors and ensuring the effectiveness of instructions from Audit & Supervisory Board members

1. On the transfer, evaluation, etc. of these employees, the Company consults with Audit & Supervisory Board members and seeks their opinions.
2. The Company gives due consideration to the selection of these employees, the duration of their assignment to assist in the duties of Audit & Supervisory Board members, etc., striving to ensure the effectiveness of directions given to these employees.

h) Systems for Directors and employees to report to Audit & Supervisory Board members and other systems for reporting to Audit & Supervisory Board members

1. The Company has established a system that enables Audit & Supervisory Board members to constantly monitor the overall management of the Company and its Group companies by attending meetings of the board of directors and other important meetings, exchanging information with management, and inspecting approval requests, reports, and other documents.
2. The rules of the Risk Management and Compliance Committee stipulate that directors and employees of the Company and its Group companies shall report the following matters promptly to an Audit & Supervisory Board member, either via the Risk Management and Compliance Committee or separately.
  - a. Incidence and reporting of compliance issues, such as misconduct or violation of laws, regulations, or the Articles of Incorporation, in connection with the execution of director duties
  - b. Incidence and reporting of facts that may cause significant harm to the Company
  - c. Incidence and reporting of material disclosure items.

i) Systems to ensure that a person who makes a report under the preceding item is not subject to any disadvantageous treatment for making such a report

The Company prohibits any disadvantageous treatment of any the company and Group company director, employee, etc. who makes a report directly to the Company's Audit & Supervisory Board members and ensures that the entire Group is aware of this prohibition and clearly states this in its internal reporting system.

j) Policy on matters regarding expense prepayments, redemptions, other expenses, or disposition of debt resulting from the execution of duties by members of the company's Audit & Supervisory Board

When the Audit & Supervisory Board or the board of directors, in the course of an audit, requests necessary expenses such as for requesting advice from attorneys at law, certified public accountants, or other outside specialists, or outsourcing investigations, appraisals, or other administrative work, such request may not be denied unless the expenses involved are deemed unnecessary or the performance of duties by the Audit & Supervisory Board or its members.

k) Other systems to ensure that audits are conducted effectively by Audit & Supervisory Board members

1. Members of the Audit & Supervisory Board hold regular meetings with the representative director and outside directors to exchange opinions.

2. The Company's full-time members of the Audit & Supervisory Board also serve as members of the Audit & Supervisory Boards of major Company subsidiaries in Japan.

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

- Basic Approach to Eliminating Anti-Social Forces

The Company responds resolutely in the face of anti-social forces threatening the public order and safety, defining our firm commitment within our Code of Conduct for Risk Management & Compliance in opposition to such forces. Code of Conduct for Risk Management & Compliance states that (1) the Company will have no relationships with individuals or groups having a negative impact on the social order or sound corporate activities; (2) individuals involved in Company management will take the initiative and correct actions without fear of such forces; (3) the Company will act as a unified organization, without abandoning individual directors or employees, to seek the aid of police and legal authorities to reject fear, funding, or usage in response to unreasonable demands.

- Status of Efforts to Eliminate Anti-Social Forces

The Company has established responsible departments and individuals in Tokyo, Osaka, and the Nagoya branch office. The individual responsible in the Tokyo head office participates in seminars on the prevention of unreasonable demands sponsored by the Tokyo Metropolitan Public Safety Commission.

In every region, the Company participates in groups discussing measures to deal with anti-social forces. Assigned individuals readily attend conferences and seminars, maintaining contact with local police. At the same time, these individuals gather and manage information about anti-social forces. The Company's basic trade agreements include terms regarding the elimination of anti-social forces. The Company endeavors to cancel agreements with any trading partner determined to be an anti-social force. General affairs personnel in Tokyo, Osaka, and the Nagoya branch have access to the Manual Regarding the Prevention of Unreasonable Demands, taking the initial response in case of emergencies.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	None
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Supplementary Explanation

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

1. See Attachment (1) for a diagram of the Company's corporate governance structure, including our internal controls system.

#### 2. Overview of Timely Disclosure Structure

The Company has established Code of Conduct for Risk Management & Compliance. In pursuit of compliance with laws, regulations, and internal regulations/rules and public disclosure to stakeholders (interested parties), the company actively and fairly discloses corporate information striving to ensure transparency. Under this basic approach, the company has created the following structure for identifying and managing information subject to timely disclosure which functions as an internal system for providing me timely and appropriate disclosure of company information to investors.

The following describes how the Company handles each type of information.

#### ■ Information Related to Material Facts

The relevant headquarters general managers and division managers report information collected from departments and subsidiaries to the individual designated to handle such information. The individual designated to handle information coordinates with the relevant internal departments, summarizes information, and submits a report to the representative director and president. As necessary, a report is submitted to the board of directors, after which the Corporate Management Department (body responsible for timely disclosures) promptly issues a timely disclosure.

#### ■ Information Related to Decision-Supporting Facts

Each department or subsidiary circulates a proposal draft, based on which related departments hold consultations. After final approval of the representative director or the board of directors, the Corporate Management Department promptly issues a timely disclosure.

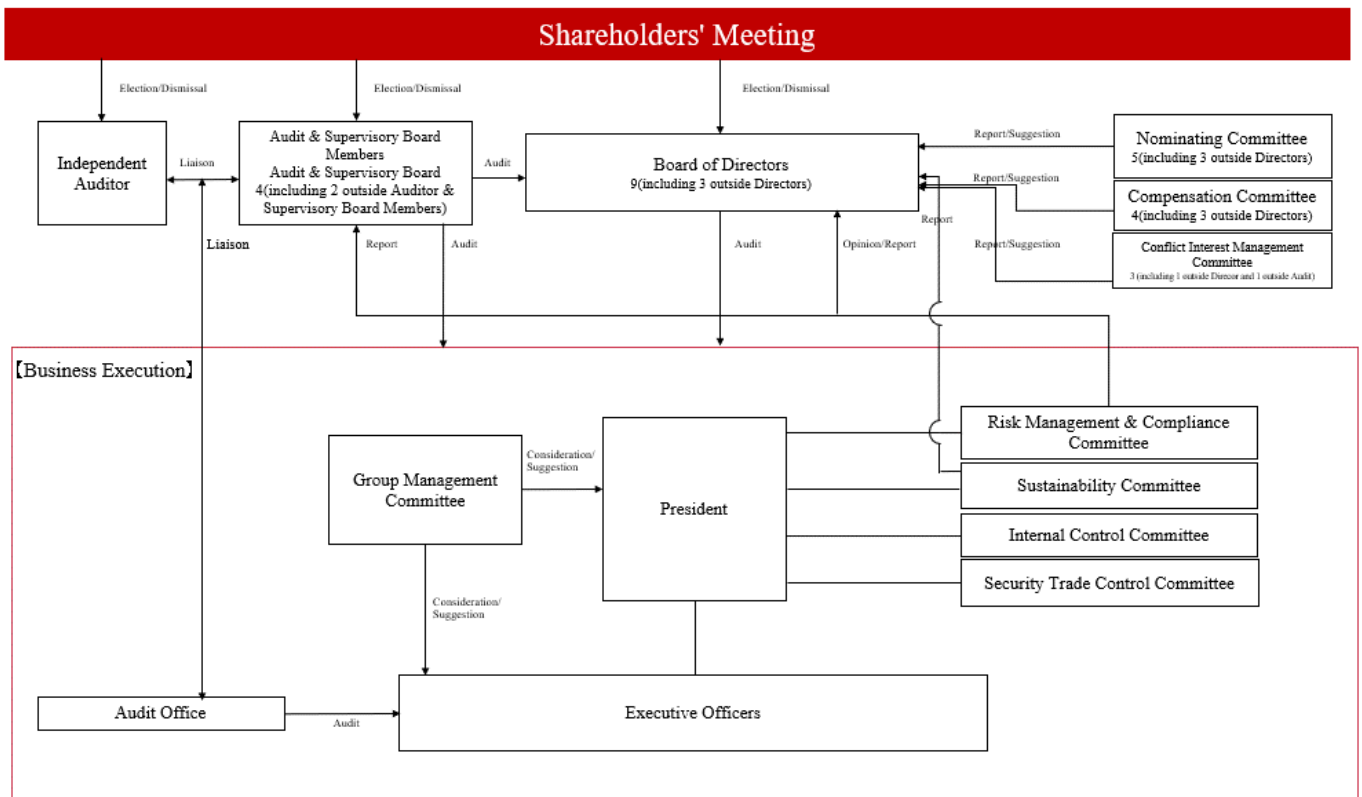
#### ■ Financial Information

Corporate Management Departments receive financial information from each consolidated subsidiary, accepting advice and guidance from members of the Audit & Supervisory Board and outside experts as necessary to ensure the reliability of financial information received. These divisions then prepare financial reports and drafts of public announcements. After decision by the president, the board of directors makes a final approval, after which the Corporate Management Department promptly issues a timely disclosure.

Refer to Attachment (2) for a diagram of this structure.

Attachment (1)

Corporate Governance system



Attachment (2)

Timely Disclosure System

