

## Corporate Governance Report

Nippon Sanso Holdings Corporation

Last updated: June 19<sup>th</sup>, 2025

### Nippon Sanso Holdings Corporation

Toshihiko Hamada, Representative Director, President CEO

Contact: +81-3-5788-8500

TSE Code: 4091

<https://www.nipponsanso-hd.co.jp>

The corporate governance of Nippon Sanso Holdings Corporation (the “Company”) is described below:

#### **I. Basic thinking on corporate governance, capital structure, corporate attributes and other basic information**

##### **1. Basic Thinking on Corporate Governance**

From the perspective of ensuring sustainable growth of the Company and long-term increase of corporate value, taking into account the positions of shareholders and other stakeholders, customers, employees, and local communities, the Company believes that the essence of corporate governance involves ensuring transparency and fairness of decision-making, making effective use of the management resources available, and maximizing the efficiency and strength of management through prompt and decisive decision-making. The Company will work toward a full implementation of correct corporate governance based on the basic approach below.

- (1) The Company will respect shareholders' rights and ensure their equality.
- (2) The Company will consider the benefits of shareholders and other stakeholders and work appropriately in partnership with those stakeholders.
- (3) The Company will ensure transparency by releasing appropriate corporate information at appropriate times.
- (4) By separating supervisory and executive functions, the Company will improve effectiveness of the Board of Directors' supervisory function over the Company's business executions.
- (5) The Company will engage in constructive dialogue with shareholders in order to contribute to the sustainable growth of the Group and the medium- to long-term improvement of corporate value.

#### **[Reasons for Not Implementing the Principles of the Corporate Governance Code]**

The Company has implemented all principles of the Corporate Governance Code.

**[Disclosure Based on the Principles of the Corporate Governance Code] [Updated]**

**[Principle 1.4 Cross-Shareholdings]**

The Company has established its policy on strategic holdings of listed stock and basic rules on exercising voting rights in relation to strategic stock holdings in Article 4 of Principles of Corporate Governance available on its corporate website. The Board of Directors annually carries out a comprehensive assessment of each of strategic stock holdings both quantitatively, by using the Return on Invested Capital (ROIC) indicator, and qualitatively, by analyzing its business needs and other matters, and thereby verify whether there are sufficient reasons for each individual stock holding.

([https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/nippon-sanso-holdings-corporate-governance-principles\\_en.pdf](https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/nippon-sanso-holdings-corporate-governance-principles_en.pdf))

The Company has disclosed information on the status of strategic shareholdings sales reflecting the verification results in "Part 1. [Company Information]", "Section 4 [Status of the Reporting Company]", "4 [Status of Corporate Governance]", "(5) [Status of Shareholdings]" of the Annual Securities Report.

(FYE 2025 Annual Securities Report:

[https://www.nipponsanso-hd.co.jp/ir/library/financial\\_statements.html](https://www.nipponsanso-hd.co.jp/ir/library/financial_statements.html) [in Japanese])

**[Principle 1.7 Related Party Transactions]**

The Company has established the framework of procedures for related party transactions in Article 5 of Principles of Corporate Governance available on the Company's website.

([https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/nippon-sanso-holdings-corporate-governance-principles\\_en.pdf](https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/nippon-sanso-holdings-corporate-governance-principles_en.pdf))

**[Supplementary Principle 2.4.1 Ensuring Diversity, Including Active Participation of Women (Promotion of Core Human Resources and Other Elements)]**

**[Ensuring Diversity]**

The Nippon Sanso Holdings Group has in place its "Global Policy on Respecting Human Rights, Contributing to Society, Employment, Labor and Health." Under the "Code of Conduct" based on the policy, all officers and employees are striving to establish an environment in which they can work while respecting diversity. Based on the recognition that ensuring diversity is important to the Group's development, we will be committed to the following initiatives.

**[Promotion of Women's Active Participation]**

Two of nine directors of the Company are women, and the ratio of women to its total employees is 22.3% at the end of the fiscal year ended in March 2025. As a goal of the Medium-Term Management Plan, we have set the fiscal year ending March 2026 targets of 22% or more in the ratio of women to the Group's total employees (20.8% at the end of fiscal year ended in March 2025) and 18% or more in the ratio of women to its total employees in managerial positions (16.7% as of the same date). Taiyo Nippon Sanso Corporation (TNSC), a core business company in Japan, has adopted the "Taiyo Nippon Sanso Statement on

Diversity and Inclusion” and established the “D&I Mid-Term Action Plan” through 2030. With the goal of fostering a corporate culture where D&I is natural, TNSC has implemented a range of initiatives in fiscal year 2024 and 2025, focusing on three key pillars: “Promoting understanding of D&I,” “Cultivating culture and changing mindsets,” and “Environment Development”.

The company has disclosed other information regarding the status of female employees in "Part I [Company Information]," "Section 1 [Overview of the Company]," "5 [Status of Employees]." of the Annual Securities Report.

(FYE 2025 Annual Securities Report:

[https://www.nipponsanso-hd.co.jp/ir/library/financial\\_statements.html](https://www.nipponsanso-hd.co.jp/ir/library/financial_statements.html) [in Japanese])

#### [Mid-career Recruitment]

In the Group’s overseas affiliated companies, most officers and employees are mid-career hires, and we recognize that diversity is ensured continuously.

While the majority of the Company’s employees are seconded from TNSC, our core business company in Japan, both the Company and TNSC proactively hired mid-career professionals with the necessary skills and experience in the fiscal year ended March 2025, resulting in a total of 44 mid-career hires. The ratio of mid-career officers and employees to our total employees is 29.5% and the ratio of mid-career officers to our total employees in managerial positions is 18.5% as of the end of the fiscal year ended March 2025. In the future as well, we will seek to employ mid-career professionals necessary from the viewpoint of placing the right person in the right position. Regarding the promotion of mid-career hires to management positions, we recognize that we have been able to continuously ensure such promotions throughout the group, and at present, we have not set any voluntary and measurable targets.

#### [Recruitment of Foreign Nationals]

The Group is operating globally, and employees of foreign nationality account for most of employees in the Group companies except for TNSC and the domestic operation of Thermos groups, with their ratio reaching about 70% as of the end of fiscal year ended in March 2025. As for the Company, two of its nine Board members and one of its nine executive officers are foreign nationals as of the end of the same fiscal year. Globally oriented management is in place at the company, with important meetings and decision-making are basically conducted in English. It has six non-Japanese employees, or 5.4% of the total, as of the end of fiscal year ended in March 2025. Looking ahead, we will strive to realize proactive personnel exchanges with overseas business companies, setting up a structure matching a global holding company. Regarding the promotion of employees of foreign nationality to management positions, we recognize that we have been able to continuously ensure such promotions throughout the group, and at present, we have not set any voluntary and measurable targets.

[Employment of Persons with Disabilities]

TNSC, the core business company in Japan, has been proactively hiring people with disabilities, and, as of April 1, 2025, the ratio of people with disabilities to its total employees is 2.81% that achieves the legally mandated 2.5% target of their employment. We will continue to strive to employ such human resources and establish an easy-to-work environment in an effort to contribute to expansion of their working opportunities.

[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]

TNSC which is the core business company of the Company group has established the Corporate Pension Managing Committee that has been engaged in deliberation of the management of corporate pension. TNSC has managed the corporate pension fund in accordance with the basic policy of managing pension reserves and based on the strategic asset contribution ratio necessary for achieving the target of the pension asset management in order to ensure stable management of the employee's assets, while properly controlling conflict of interests. Furthermore, TNSC has appointed the best trustees based on the strategic asset contribution ratio, evaluated the quantitative and qualitative aspects of the trustees designated by TNSC, and disclosed to employees the summary of performance by trustee, including the investment results of corporate pension fund.

[Principle 3.1 (i) Full Disclosure]

The Company has formulated its corporate philosophy and published it on its corporate website.

(<https://www.nipponsanso-hd.co.jp/en/company/mission.html>)

The Company has formulated its Four-Year Medium-Term Management Plan “NS Vision 2026～Enabling the Future” final fiscal year of which is fiscal year ending March 2026 and published it on its corporate website.

<https://www.nipponsanso-hd.co.jp/en/ir/management/plan.html>

[Principle 3.1 (ii) Full Disclosure]

The Company has formulated Principles of Corporate Governance as its basic thinking and policy on corporate governance and published it on its corporate website.

([https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/nippon-sanso-holdings-corporate-governance-principles\\_en.pdf](https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/nippon-sanso-holdings-corporate-governance-principles_en.pdf))

[Principle 3.1 (iii) Full Disclosure]

As regards the policy and procedures for the Board of Directors' determining of the remuneration of management personnel and directors, please refer to “Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods” in the subsection “Director Remuneration” under the section “1. Matters on Organizational Composition and Operation” under the part “II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management” of this report.

[Principle 3-1(iv) Full Disclosure]

The Company has defined its policy and procedures for the Board of Directors' appointment of executive officers and nominating candidates of directors and Audit & Supervisory Board members in Articles 13 through 15 of Principles of Corporate Governance available on its corporate website.

([https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/nippon-sanso-holdings-corporate-governance-principles\\_en.pdf](https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/nippon-sanso-holdings-corporate-governance-principles_en.pdf))

[Principle 3-1(v) Full Disclosure]

Explanation of the reason for nominating as candidate for directors and Audit & Supervisory Board members is made in the proposal for the election of directors and election of Audit & Supervisory Board members stipulated in the reference documentation for the General Meeting of Shareholders. In the case the candidates are scheduled to be appointed as executive officers at the board meeting to be held after the General Meeting of Shareholders, the explanation is made taking such appointment into consideration. The Company has published the notice of convocation for the 21<sup>st</sup> Ordinary General Meeting of Shareholders that includes reference documentation on its corporate website.

(<https://www.nipponsanso-hd.co.jp/en/ir/stock/meeting.html>)

[Supplementary Principle 3.1.3 Full Disclosure (Disclosure of Company Initiatives on Sustainability)]

The Company details its sustainability initiatives on its corporate website.

(<https://www.nipponsanso-hd.co.jp/en/sustainability/>)

The Company details its human capital investment on its corporate website.

- The Nippon Sanso Holdings Group's Human Resource Strategy

([https://www.nipponsanso-hd.co.jp/en/sustainability/society/talent\\_strategy/](https://www.nipponsanso-hd.co.jp/en/sustainability/society/talent_strategy/))

- Message from Head of the HR Division

([Message from Head of the HR Division | Sustainability | Nippon Sanso Holdings Corporation \(nipponsanso-hd.co.jp\)](https://www.nipponsanso-hd.co.jp/en/sustainability/initiative/))

Also, TNSC, the core business company in Japan, explains investment in intellectual property on its website.

(<https://www.tn-sanso.co.jp/jp/rd/intellectual> [in Japanese])

The Company collects and analyzes the necessary data on the impact of climate change-related risks and earning opportunities on its business activities, profits, and other factors in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. The results are presented on its corporate website. Note that TCFD-based disclosure complies with the principle that applies to the companies listed on the Prime Market.

(<https://www.nipponsanso-hd.co.jp/en/sustainability/initiative/>)

[Principle 4.1.1 Roles and Responsibilities of the Board (1) (the scope and content of the matters delegated to the management)]

The Company has defined the scope and content of the matters for which the authority is delegated to the management in Article 7.3 of Principles of Corporate Governance available on its corporate website.

([https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/nippon-sanso-holdings-corporate-governance-principles\\_en.pdf](https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/nippon-sanso-holdings-corporate-governance-principles_en.pdf))

[Principle 4.9 Independence Standards and Qualification for Independent Directors]

The Company has defined the independence standards for independent outside directors in Attachment 1 to Principles of Corporate Governance available on the Company's website.

([https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/nippon-sanso-holdings-corporate-governance-principles\\_en.pdf](https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/nippon-sanso-holdings-corporate-governance-principles_en.pdf))

[Supplementary Principle 4.10.1 Use of Optional Approach (Nomination and Remuneration Committees)]

The Company outlines the mandates, roles, policy regarding the independence, and such, of its Advisory Committee on Appointments and Remuneration later in this Report: see the Supplementary Explanation to Voluntary Establishment of Committee(s), Members and Attributes of Chairperson in the Directors section of "1. Matters on Organizational Composition and Operation" under "II. Business Management Organization regarding Decision-making, Execution of Business, and Oversight in Management/ Other Corporate Governance Systems." Note that this disclosure complies with the principle that applies to the companies listed on the Prime Market.

[Supplementary Principle 4.11.1 Preconditions for Board and Audit & Supervisory Board Effectiveness (Skills Matrix)]

The Company has determined its view on the appropriate balance between knowledge, experience, and skills, as well as diversity and appropriate size, of the Board of Directors as a whole, which is set out in Article 9 of the Principles of Corporate Governance available on its website.

([https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/nippon-sanso-holdings-corporate-governance-principles\\_en.pdf](https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/nippon-sanso-holdings-corporate-governance-principles_en.pdf))

In addition, the Company creates a skills matrix that shows the knowledge, experience, skills, and other expertise possessed by individual directors, as presented on its corporate website.

([https://www.nipponsanso-hd.co.jp/en/company/officer\\_list/](https://www.nipponsanso-hd.co.jp/en/company/officer_list/))

Skill matrix of candidate for directors is presented on pages 14 of the reference documentation of the convocation notice for the 21<sup>st</sup> Ordinary General Meeting of Shareholders held on June 18, 2025.

(<https://www.nipponsanso-hd.co.jp/en/ir/stock/meeting.html>)

[Supplementary Principle 4.11.2 Preconditions for Board and Audit & Supervisory Board Effectiveness (Concurrent positions of Board and Audit & Supervisory Board members)]

Outside director Miri Hara is also serving as outside director of SECOM CO., LTD. Outside director Katsumi Nagasawa is also serving as outside director of Sugino Machine Limited, a private company. Outside director Katsuhito Yamaji is also serving as outside director of ENSHU Limited. None of outside Audit & Supervisory Board members has a concurrent position of any other listed company.

The company has disclosed other information regarding the status of concurrent positions of Board and Audit & Supervisory Board members in "Part I [Company Information]", "Section 4 [Status of the Reporting Company]", "4 [Corporate Governance]" "5 [Status of Board and Audit & Supervisory Board members]"

(FYE 2025 Annual Securities Report:

[https://www.nipponsanso-hd.co.jp/ir/library/financial\\_statements.html](https://www.nipponsanso-hd.co.jp/ir/library/financial_statements.html) [in Japanese])

[Supplementary Principle 4.11.3 Preconditions for Board and Audit & Supervisory Board Effectiveness (Evaluation of Board of Directors' Effectiveness)]

The Company has published the process and result of evaluation of board of directors' effectiveness on its corporate website.

([https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/Evaluation-of-the-Board-of-Directors-Effectiveness\\_FYE2025\\_en.pdf](https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/Evaluation-of-the-Board-of-Directors-Effectiveness_FYE2025_en.pdf))

[Supplementary Principle 4.14.2 Director and Audit & Supervisory Board Members Training (Training Policy)]

The Company has defined its training policy for directors and Audit & Supervisory Board members in Article 17 of Principles of Corporate Governance available on the Company's corporate website.

([https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/nippon-sanso-holdings-corporate-governance-principles\\_en.pdf](https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/nippon-sanso-holdings-corporate-governance-principles_en.pdf))

[Supplementary Principle 5.1 Dialogue with Shareholders]

The Company has formulated Nippon Sanso Holdings Group Investor Relations (IR) Policy (Basic Principles for Dialogue and Disclosures Concerning IR Activities) as a policy on the structure and initiatives to facilitate constructive dialogue with shareholders and published it on the Company's website.

(<https://www.nipponsanso-hd.co.jp/en/ir/management/irpolicy.html>)

[Status of Dialogues with Shareholders and etc.]

The Company has posted the status of dialogues with shareholders and other investors on the Company's website.

([https://www.nipponsanso-hd.co.jp/en/sustainability/dialogue\\_with\\_stakeholders/](https://www.nipponsanso-hd.co.jp/en/sustainability/dialogue_with_stakeholders/))

**[Action to implement management that is conscious of cost of capital and stock price]**

Content of Disclosure <b>[Updated]</b>	Disclosure of Initiatives (Update)
Availability of English Disclosure	Available
Date of Disclosure Update <b>[Updated]</b>	June 18, 2025

**Supplementary Explanation **[Updated]****

We have disclosed our views on capital cost, capital efficiency, and related matters in the form of a “Message from the President” on our corporate website.

We have published our views on capital cost and capital efficiency in the “CFO Message” on our website.

(<https://www.nipponsanso-hd.co.jp/en/ir/management/cfo-message.html>)

**2. Capital Structure**

Foreign Shareholding Ratio <b>[Updated]</b>	20% or more and less than 30%
---	-------------------------------

**[Status of Major Shareholders] **[Updated]****

Name / Company Name	Number of Shares Owned	Percentage (%)
Mitsubishi Chemical Group Corporation	218,996,766	50.59
The Master Trust Bank of Japan, Ltd. (trust account)	27,672,600	6.39
Client shareholding association of Taiyo Nippon Sanso Corporation	15,578,021	3.60
Custody Bank of Japan, Ltd. (trust account)	10,701,700	2.47
Meiji Yasuda Life Insurance Company	9,006,771	2.08
JP Morgan Chase Bank 385632	8,419,611	1.94
BNYM AS AGT/CLTS NON TREATY JASDEC	6,210,599	1.43
JP Morgan Chase Bank 385864	5,708,100	1.32
Mizuho Bank, Ltd.	4,332,847	1.00
State Street Bank and Trust Company 505001	4,087,104	0.94

Controlling Shareholder (except for Parent Company)	N/A
Parent Company	Mitsubishi Chemical Group Corporation (TSE Code: 4188)

**Supplementary Explanation **[Updated]****

Status of Major Shareholders is as of March 31, 2025.



### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime Market
Fiscal Year-End	March
Type of Business	Chemical
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1000 or more
Sales (consolidated) as of the End of the Previous Fiscal Year	¥1 trillion or more
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	100 or more and less than 300

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

When entering into a transaction with its controlling shareholder, the Company has a policy to define reasonable contractual conditions and prices in reference to other transactions and market prices. Furthermore, the Company will obtain approval of the Board of Directors for any material transaction with its controlling shareholder that is not included in the ordinary course of business. The Company seeks to secure the objectivity and transparency of the Board of Directors in deliberations on transactions with the controlling shareholder, by appointing five independent outside directors who are independent of the controlling shareholder so that they make up majority of the nine-member Board of Directors.

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

The Company, having Mitsubishi Chemical Group Corporation (MCG) as its parent company, belongs to a corporate group led by MCG (MCG Group). The MCG Group's business is composed of Specialty Materials, MMA & Derivatives, Basic Materials & Polymers, Pharma and Industrial Gases. The Company Group is positioned as an entity in the industrial gasses segment. Being the only one operating industrial gasses business in the MCG Group, the Company Group does not compete with other companies in the MCG Group, and as of this moment does not expect to do so in the future.

The Company concluded a basic agreement with the MCG on May 13, 2014. The basic agreement stipulates that the MCG, under its Group Management Regulations, respects our autonomy and is committed to supporting and cooperating with us. Accordingly, we make our own business decisions and do not require MCG's approval for any matters. The basic agreement also includes provisions on maintaining the Company's stock listing.

When there is a conflict of interest between our parent company and our other shareholders, our directors act in a way to avoid harming the interest of the latter. We have five elected independent outside directors, who constitute a majority in the 9-member board, and two elected full-time, independent outside Audit & Supervisory Board members. These

independent individuals exercise oversight to ensure that conflicts of interest will not arise between the parent company and other shareholders. Furthermore, we have voluntarily established the Advisory Committee on Appointments and Remuneration that advises the Board of Directors on the nomination of candidates for directors and Audit & Supervisory Board members, as well as the appointment and dismissal of the CEO and other executive officers. The committee is composed of six members—the president and five independent outside directors—and is chaired by an independent outside director. This ensures our independence from the parent company on management appointments.

Mr. Naoto Yabe, Executive Officer and Chief Strategy Officer of Mitsubishi Chemical Corporation (also serving as General Manager of Strategy Office, MCG), has been appointed as a director(part-time) of our company.

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

### **1. Matters on Organizational Composition and Operation**

Organization Form	Company with an Audit & Supervisory Board
-------------------	---

#### **[Directors]**

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	One year
Chairperson of the Board	President CEO
Number of Directors	9
Appointment of Outside Directors	Appointed
Number of Outside Directors	5
Number of Independent Outside Directors	5

# Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Miri Hara	Certified Tax Accountant											○
Katsumi Nagasawa	Ex. Executive of Other Company								△			
Masako Miyatake	Lawyer											○
Hideo Nakajima	Other											○
Katsuhito Yamaji	Ex. Executive of Other 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

- Executive of the Company or its subsidiaries
- Non-executive director or executive of a parent company of the Company
- Executive of a fellow subsidiary company of the Company
- A party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the Company or an executive thereof
- 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
- Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- 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)
- Executive of a company, between which and the Company outside directors/ audit & supervisory board member are mutually appointed (the director himself/herself only)
- Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- Others

Outside Directors' Relationship with the Company (2) **[Updated]**

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Miri Hara	○	———	Ms. Miri Hara has served as a director of real estate management company over many years, and also has wide-ranging experience of serving as Representative Certified Public Tax Accountant of Tax Corporation, and an outside director at a publicly listed company and thus the Company considers her qualified to be an outside director. On top of that, since she meets both the Tokyo Stock Exchange's criteria for determining independence and our company's "Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members", the Company has selected her as an independent director who is unlikely to have conflicts of interest with general shareholders based on such background.
Katsumi Nagasawa	○	Katsumi Nagasawa is originally from Hitachi, Ltd., a business partner of the Company Group, and served as an executive at the company until his retirement in March 2019.	Mr. Katsumi Nagasawa had been engaged in the nuclear power business for many years in Hitachi Ltd., and subsequently served as a corporate executive officer of the company and as the chairman of the board of directors of its group company, among other important positions and thus the Company considers him qualified to be an outside director. On top of that, since he meets both the Tokyo Stock Exchange's criteria for determining independence and our company's "Independence Standards for Outside Directors and Audit & Supervisory Board members", the Company has selected him as an independent director who is unlikely to have conflicts of interest with general shareholders based on such background.

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Masako Miyatake	○	-----	Having accumulated a wealth of experience as an international lawyer over many years, Ms. Masako Miyatake has been practicing law in the fields of international transactions, finance, corporate governance, and litigation, arbitration and conciliation. Furthermore, she served as an outside director at another publicly listed company and thus the Company considers her qualified to be an outside director. On top of that, since she meets both the Tokyo Stock Exchange's criteria for determining independence and our company's "Independence Standards for Outside Directors and Audit & Supervisory Board members", the Company has selected her as an independent director who is unlikely to have conflicts of interest with general shareholders based on such background.
Hideo Nakajima	○	-----	Mr. Hideo Nakajima, currently assuming a special advisor of a law firm that offers global services, has held important positions at Ministry of Finance and Japan Fair Trade Commission and thus the Company considers him qualified to be an outside director. On top of that, since he meets both the Tokyo Stock Exchange's criteria for determining independence and our company's "Independence Standards for Outside Directors and Audit & Supervisory Board members", the Company has selected him as an independent director who is unlikely to have conflicts of interest with general shareholders based on such background.
Katsuhito Yamaji	○	Katsuhito Yamaji is originally from Yamaha Motor Co., Ltd., a business partner of the Company Group, and served as an executive at the company, but retired from that position in March 2022. Also, he resigned from his position as an Advisor of that company in March 2025.	Mr. Katsuhito Yamaji had worked for many years in the area of technology development, production and procurement in Yamaha Motor Co., Ltd., and subsequently served as a director of the company and thus the Company considers him qualified to be an outside director. On top of that, since he meets both the Tokyo Stock Exchange's criteria for determining independence and our company's "Independence Standards for Outside Directors and Audit & Supervisory Board members", the Company has selected him as an independent director who is unlikely to have conflicts of interest with general shareholders based on such background.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
---	-------------

#### Voluntary Establishment of Committee(s), Members and Attributes of Chairperson

	Committee's Name	All Committee Members	Full-time Members	Internal Directors	Outside Directors	External experts	Other members	Chair person
Voluntary Committee Corresponding to Nomination Committee	Advisory Committee on Appointments and Remuneration	6	0	1	5	0	0	Outside director
Voluntary Committee Corresponding to Remuneration Committee	Advisory Committee on Appointments and Remuneration	6	0	1	5	0	0	Outside director

#### Supplementary Explanation **[Updated]**

The Company's Advisory Committee on Appointments and Remuneration is an organ that advises the Board of Directors. The six-member Committee consists of the representative director and president CEO and the five independent outside directors, and is chaired by an Independent Outside Director, Mr. Katsumi Nagasawa. This composition—namely, independent outside directors making up the majority with the chairperson being one of them—ensures the Committee's independence as well as its objectivity and transparency in decision-making. The Committee operates in compliance with the Regulations of the Advisory Committee on Appointments and Remuneration of Nippon Sanso Holdings Corporation approved by the Board of Directors. It is consulted by the Board of Directors on such matters as the selection of candidates for the office of director or member of the Audit & Supervisory Board, appointment and dismissal of executive officers, selection of a successor to the representative director and president CEO, and revision of the internal regulations on director remuneration. After deliberations on the matters consulted upon, the Committee decides by a majority vote and reports the results to the Board of Directors.

The Company has disclosed information on the activities of Advisory Committee on Appointments and Remuneration in "Part 1. [Company Information]", "Section 4 [Status of the Reporting Company]", "4 [Status of Corporate Governance.]", "(5) [Activities of the Board of Directors and the Advisory Committee on Appointments and Remuneration]" of the Annual Securities Report.

(FYE 2025 Annual Securities Report:

[https://www.nipponsanso-hd.co.jp/ir/library/financial\\_statements.html](https://www.nipponsanso-hd.co.jp/ir/library/financial_statements.html) [in Japanese])

**[Audit & Supervisory Board Members]**

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members	4

**Coordination among Audit & Supervisory Board Members, Independent Auditors and Internal Audit Departments** **[Updated]**

The Audit & Supervisory Board comprises four full-time members, three of whom are outside members. Audit & Supervisory Board members attend meetings of the Board of Directors and the Management Committee to oversee directors' business execution objectively and form and express opinions impartially. The Audit & Supervisory Board conducts its audit in coordination with Independent Auditors and Corporate Audit Office. The Audit & Supervisory Board receives reports from the Independent Auditors about their auditing plans and the status of their audit, and also receives reports from Corporate Audit Office about the results of internal audit.

Furthermore, the secretariat of the Audit & Supervisory Board staffed by full-time personnel has been in place to help Audit & Supervisory Board members with their duties and thereby ensure the effectiveness of audit conducted by the Audit & Supervisory Board.

The Company has disclosed information on the activities of Advisory Committee on Appointments and Remuneration in "Part 1. [Company Information]", "Section 4 [Status of the Reporting Company]", "4 [Status of Corporate Governance]", "(3) [Status of Audit]" of the Annual Securities Report.

(FYE 2025 Annual Securities Report:

[https://www.nipponsanso-hd.co.jp/ir/library/financial\\_statements.html](https://www.nipponsanso-hd.co.jp/ir/library/financial_statements.html) [in Japanese])

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Audit & Supervisory Board Members	2

Outside Audit & Supervisory Board Member's Relationship with the Company (1) **[Updated]**

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Kentaro Akashi	From another company							△			△	
Kohei Ichiya	From another company			△		△						
Riki Shibata	From another company							△			△	

\* Categories for "Relationship with the Company"

\* "○" when the audit & supervisory board member presently falls or has recently fallen under the category;

"△" when the audit & supervisory board member fell under the category in the past

\* "●" when a close relative of the audit & supervisory board member presently falls or has recently fallen under the category;

"▲" when a close relative of the audit & supervisory board member fell under the category in the past

- Executive of the Company or its subsidiary
- Non-executive director or accounting advisor of the Company or its subsidiaries
- Non-executive director or executive of a parent company of the Company
- Audit & supervisory board member of a parent company of the Company
- Executive of a fellow subsidiary company of the Company
- A party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the Company or an executive thereof
- 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
- Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the audit & supervisory board member himself/herself only)
- Executive of a company, between which and the Company outside directors/ audit & supervisory board member are mutually appointed (the audit & supervisory board member himself/herself only)
- Executive of a company or organization that receives a donation from the Company (the audit & supervisory board member himself/herself only)
- Others



Outside Audit & Supervisory Board Member's Relationship with the Company (2) **[Updated]**

Name	Designation as Independent Audit & Supervisory Board member	Supplementary Explanation of the Relationship	Reasons of Appointment
Kentaro Akashi	○	Kentaro Akashi is originally from Mizuho Bank, Ltd., a major lender to the Company Group, and was an executive of the bank until he retired from that position in March 2014. As of the end of the fiscal year ended March 2025, the Company Group's outstanding borrowings from the bank amounted to 280,756 million yen. He was also an executive of Mizuho Securities Co., Ltd., a business partner of the Company Group, but retired from that position in May 2017.	Mr. Kentaro Akashi is appointed as an Outside Audit & Supervisory Board member for his long-term experience at financial institutions and his substantial level of accounting and financial knowledge. On top of that, since he meets both the Tokyo Stock Exchange's criteria for determining independence and our company's "Independence Standards for Outside Directors and Audit & Supervisory Board members", the Company has selected him as an independent Audit & Supervisory Board member who is unlikely to have conflicts of interest with general shareholders based on such background.
Kohei Ichiya		Kohei Ichiya is originally from Mitsubishi Chemical Corporation which is the Company's sister company and was an executive of that company. He was an executive of that company and our parent company MCG. In the fiscal year ended March 2025, the Company Group had transactions with Mitsubishi Chemical Corporation totaling 5,517 million yen. He also served as an executive of our fellow company, Japan Polychem Corporation, but retired from that position in March 2024.	Mr. Kohei Ichiya is appointed as an Outside Audit & Supervisory Board member for his experience at accounting departments and corporate management department of a chemical company and his substantial level of financial and accounting knowledge.
Riki Shibata	○	Riki Shibata is originally from Mizuho Bank, Ltd., a major lender to the Company Group, and was an executive of the bank until he retired from that position in March 2014. As of the end of the fiscal year ended March 2025, the Company Group's outstanding borrowings from the bank amounted to 280,756 million yen.	Mr. Riki Shibata is appointed as an Outside Audit & Supervisory Board member for his long-term experience at financial institutions and his substantial level of accounting and financial knowledge. On top of that, since he meets both the Tokyo Stock Exchange's criteria for determining independence and our company's "Independence Standards for Outside Directors and Audit & Supervisory Board members", the Company has selected him as an independent Audit & Supervisory Board member who is unlikely to have conflicts of interest with general shareholders based on such background.

**[Independent Directors/ Audit & Supervisory Board member]**

Number of Independent Directors/ Audit & Supervisory Board member	7
---	---

**Other Matters relating to Independent Directors**

The company has set out the "Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members" in Appendix 1 of the "Principles of Corporate Governance " published on our website, for your reference.

([nippon-sanso-holdings-corporate-governance-principles\\_en.pdf](https://www.nippon-sanso-holdings-corporate-governance-principles_en.pdf) ([nipponsanso-hd.co.jp](https://www.nipponsanso-hd.co.jp)))

**[Incentives]**

Implementation of incentive measures for Directors	Performance-linked remunerations
--	----------------------------------

**Supplementary Explanation on Relevant Matter [Updated]**

The Board of Directors and the Audit and Supervisory Board consult with the Advisory Committee on Appointment & Remuneration about the appropriateness of the remuneration system for the directors and A&S Board members. The Advisory Committee on Appointment & Remuneration discusses the issue and submits the result to the Board of Directors and the Audit and Supervisory Board.

Remunerations for directors consist of (i) fixed "Basic Monthly Remuneration," which is a base salary specific to each rank; (ii) "Performance-linked Remuneration," which vary according to business results; and (iii) "Non-financial KPI-linked Remuneration," which are linked to the degree of the progress, achievement and other related aspects of certain non-financial KPI targets set out in the medium-term management plan. These components are reflected in the amount paid to each individual director. Remuneration for directors is based, in principle, on the annual salary system, with the amount paid monthly equivalent to one-12th of the annual salary. Revision of remuneration is reflected in the payments made from July onward each year.

Of the remuneration, the amount of "(ii) Performance-linked Remuneration" is calculated corresponding to (I) the degree of achievements of each fiscal year's budget based on medium-term management plan targets, (II) Improvements in business results, and (III) the degree of efficiency improvement. The amount of (iii) "Non-financial KPI-linked Remuneration" fluctuates in accordance with the degree of progress, achievement, and other related aspects in each fiscal year of certain non-financial KPI targets set out in the medium-term management plan, and calculated based on (a) the progress in the lost-time injury frequency rate, (b) the achievement level of compliance training attendance rate, and (c) the growth rate of GHG reduction contributions from environmentally friendly products. They are reflected separately in the remuneration paid from July onward (for example, the amount calculated based on performance evaluation for FYE March 2024 (April 1, 2023 to March 31, 2024) is reflected in the directors' remuneration paid from July 2024 onward) (\*1)(\*2).

Also, outside directors receive the fixed "Basic Monthly Remuneration" only as remuneration for directors of the Company. A director whose primary role is as an executive or an employee of the parent company or the sister company receives the fixed "Basic Monthly Remuneration" only as remuneration for directors of the Company.

The Performance-linked Remuneration and Non-financial KPI-linked Remuneration are determined on the basis of the following formulas, respectively.

- Performance-linked Remuneration (variable) = Rank-specific standard amount x “coefficient based on evaluation related to Performance-linked Remuneration”
- Non-financial KPI-linked Remuneration (variable) = Rank-specific standard amount x “coefficient based on evaluation related to Non-financial KPI-linked Remuneration”

The following figures are applied to the “coefficient based on evaluation related to Performance-linked Remuneration” and “coefficient based on evaluation related to Non-financial KPI-linked Remuneration” respectively, in order to judge the status of achievements of medium-term management plan targets while strengthening the extent of their interlocking with the Company’s business results as well as improving their objectivity and transparency.

[Coefficient based on evaluation related to Performance-linked Remuneration]

- Degree of achievements of each fiscal year’s budget based on medium-term management plan targets (consolidated revenue and consolidated core operating profit margin)
- Improvements in business results of each fiscal year (consolidated revenue, consolidated core operating profit, and profit attributable to owners of the parent company)
- Efficiency improvement in each fiscal year (consolidated ROCE after tax)

[Coefficient based on evaluation related to Non-financial KPI-linked Remuneration]

- Progress in lost-time injury frequency rate against the baseline at the start of the medium-term management plan
- Achievement level of compliance training attendance rate in the previous fiscal year
- Growth rate of GHG reduction contributions from environmentally friendly products in each fiscal year

(Notes)

1. At its meeting on June 19, 2024, the Board of Directors passed a resolution that, with respect to the remuneration for the Representative Director, President from July 2024 onward, new performance indicators would be added to both “Performance-linked Remuneration” and “Non-financial KPI-linked Remuneration.” “Consolidated ROCE after Tax”, one of the financial KPIs set out in the medium-term management plan, and “GHG reduction contributions from environmentally friendly products” were newly added as indicators for “Performance-linked Remuneration” and “Non-financial KPI-linked Remuneration”, respectively. With respect to remuneration linked to these newly added indicators, payments of rank-specific standard amounts already commenced in July 2024, and from July 2025 onward, payments will also be made based on the improvement and growth rates.

2. At its meeting on June 19, 2024, the Board of Directors passed a resolution that, effective from July 2024, in addition to the conventional “Basic Monthly Remuneration,” the “Performance-linked Remuneration” and the “Non-financial KPI-linked Remuneration” would also be reflected in the remuneration of directors whose primary duty is serving as officers of subsidiaries. (Regarding the “Non-financial KPI-linked Remuneration”, only the indicator, “GHG reduction contributions from environmentally friendly products”, will be applied as an indicator). With respect to newly added “Performance-linked Remuneration” and “Non-financial KPI-linked Remuneration”, payments of rank-specific standard amounts already commenced in July 2024, and from July 2025 onward, payments will also be made based on the improvement and growth rates.

The targets and results of indicators tied to Performance-Linked Remuneration for directors (excluding outside directors) in FYE March 2025 are as follows.

Types of remuneration *1	Attributes	Composition ratio *2 (Representative Director, President)	Composition ratio *2 (Directors whose primary duty is serving as officers of subsidiaries )	Performance indicators and non-financial indicators (KPI)		Weight for evaluation (Representative Director, President)	Weight for evaluation *4 (Directors whose primary duty is serving as officers of subsidiaries )	Reference values, etc.	Results etc.
Basic Monthly Remuneration	Fixed	53	82	—	—	—	—	—	—
Performance-linked Remuneration	Variable	40	15	Degree of achievements of each fiscal year's budget based on medium-term management plan targets	Consolidated revenue	16.6	16.6	FYE March 2024 target 1,160,000 mil. yen	FYE March 2024 results 1, 255,081 mil. yen
					Consolidated core operating profit margin	16.6	16.6	FYE March 2024 target 11.0%	FYE March 2024 results 13.2%
				Improvements in business results of each fiscal year	Consolidated revenue	16.6	16.6	FYE March 2023 results 1,186,683 mil. yen	FYE March 2024 results 1,255,081 mil. yen
					Consolidated core operating profit	16.6	16.6	FYE March 2023 results 123,124 mil. yen	FYE March 2024 results 165,996 mil. yen
					Profit attributable to owners of the parent company	16.6	16.6	FYE March 2023 results 73,080 mil. yen	FYE March 2024 results 105,901 mil. yen
					Efficiency improvement in each fiscal year	16.6	16.6	—	—
					Consolidated ROCE after Tax *3	16.6	16.6	—	—
Non-financial KPI-linked Remuneration	Variable	7	3	Degree of progress, achievement, and other related aspects in each fiscal year of certain non-financial KPI targets set out in the medium-term management plan	Lost-time injury frequency rate *5	50	—	FYE March 2022 results 2.1 (*5)	FYE March 2024 results 2.0
					compliance training attendance rate *5	25	—	100% (*5)	FYE March 2024 results 99%
					GHG reduction contributions from environmentally friendly products *3	25	100	—	—

(Notes)

1. Outside directors receive the fixed “Basic Monthly Remuneration” only. A director whose primary role is as an executive or an employee of the parent company or the sister company, and who was elected and appointed at the Annual General Meeting of Shareholders held on June 18, 2025, will be paid only the 'basic monthly compensation,' which is a fixed compensation, based on the revised directors' compensation regulations resolved at the Board of Directors meeting held on the same day.

2. The composition ratio indicates the percentage of the rank-specific standard amount. According to the revised executive compensation regulations approved at the Board of Directors meeting held on June 18, 2025, starting from July 2025, the proportions of the position-based standard amounts for 'Directors whose primary duty is serving as officers of subsidiaries ' will be as follows: 'Basic monthly remuneration: 74', 'Performance-linked remuneration: 22', and 'Non-financial indicator-linked remuneration: 4'.

3. With respect to remuneration linked to the “Consolidated ROCE after Tax” and the “GHG reduction contributions from environmentally friendly products”, payments of rank-specific standard amounts already commenced in July 2024, and from July 2025 onward, payments will also be made based on the improvement and growth rates.

4. With respect to directors whose primary duty is serving as officers of subsidiaries, only “GHG reduction contributions from environmentally friendly products” is applicable as an indicator for “Non-financial KPI-linked Remuneration”; “lost-time injury frequency rate” and “compliance training attendance rate” do not apply.

5. With respect to the lost-time injury rate, the target is to reduce it to 1.6 or less by the end of FYE March 2026, using the start of the medium-term management plan as the baseline. The achievement target for compliance training attendance rate is 100% every fiscal year.

The Company has disclosed information on the status of Officer’s remuneration in "Part 1. [Company Information]", "Section 4 [Status of the Reporting Company]", "4 [Corporate Governance, etc.]", "(4) [Remuneration for officers]" of the annual Securities Report.

(FYE 2025 Annual Securities Report:

[https://www.nipponsanso-hd.co.jp/ir/library/financial\\_statements.html](https://www.nipponsanso-hd.co.jp/ir/library/financial_statements.html) [in Japanese])

Recipients of Stock Options	
-----------------------------	--

Supplementary Explanation on Relevant Matter

N/A

**[Director Remuneration]**

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
--	--------------------------

**Supplementary Explanation on Relevant Matter [Updated]**

The Company discloses the total amount of remuneration for directors.

The total amount of remuneration for 10 directors was 219 million yen, including 64 million yen for 5 outside directors.

Total amount of remunerations by type:

- Basic Remuneration: 155 million yen, including 64 million yen for 5 outside directors
- Performance-linked Remuneration: 53 million yen
- Non-financial KPI-linked Remuneration: 9 million yen

※ For the period from 1<sup>st</sup> April 2024 to 31 March 2025.

These amount includes remuneration for a director who retired during the year.

Policy on Determining Remuneration Amounts and Calculation Methods [Updated]	Established
---	-------------

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

The total amount of remunerations for directors was limited to 800 million yen per year (including 50 million or less for outside directors, excluding their employee portion) under a resolution passed at the 11th Ordinary General Meeting of Shareholders held on June 23, 2015. Due to the increase in the number of outside directors, etc., a resolution was passed at the 18th Ordinary General Meeting of Shareholders on June 17, 2022, to retain the limit of 800 million yen as remuneration for directors, of which the portion for outside directors will be “up to 100 million yen on an annual basis”. The total amount of remunerations for Audit & Supervisory Board members is limited to 200 million yen per year under a resolution passed at the 3rd Ordinary General Meeting of Shareholders held on June 28, 2007.

The amount of remuneration for each director is determined on the basis of the policy described in [Incentives] and supplementary explanation of “Implementation of incentive measures for Directors” The board of directors has approved internal regulation that reflected the policy.

Directors who mainly serve as officers of subsidiaries directors were paid the fixed “Basic Monthly Remuneration” only as remuneration for directors of the Company. However, as described in the “Supplementary Explanation on Relevant Matter” above, in addition to “Basic Monthly Remuneration”, “Performance-linked Remuneration” and “Non-financial KPI-linked Remuneration” will be added and be paid in base amounts by position from July 2024. And from July 2025, amounts linked to and calculated according to the degree of achievement of each target will be paid to such directors. Outside directors receive the fixed “Basic Monthly Remuneration” only as remuneration for directors of the Company. A director whose primary role is as an executive or an employee of the parent company or the sister company will receive the fixed “Basic Monthly Remuneration” only as remuneration for directors of the Company.

. Remuneration for directors is based in principle on an annual salary system, with the amount paid monthly equivalent to one-12th of the annual salary.

Representative Director and President who is authorized to decide the amount of each director's remuneration calculates it according to the internal regulations. The amount of remuneration for directors is to be unambiguously calculated from their rank and performance based on the internal regulations, and it is possible to verify the results of calculations by the Representative Director and President. The result of the calculation is reported to the Advisory Committee on Appointments & Remuneration.

The Company has established the advisory committee on appointments and remuneration that consisted of six members that are Representative Director and President, five independent outside directors and chaired by an independent outside director. The Committee continuously discusses directors' remuneration at the consultation of the board of directors.

The Company has disclosed information on the status of Officer's remuneration in "Part 1. [Company Information]", "Section 4 [Status of the Reporting Company]", "4 [Status of Corporate Governance]", "(4) [Remuneration for officers]" of the Annual Securities Report.  
(FYE 2025 Annual Securities Report:

[https://www.nipponsanso-hd.co.jp/ir/library/financial\\_statements.html](https://www.nipponsanso-hd.co.jp/ir/library/financial_statements.html) [in Japanese])

#### **[Supporting System for Outside Directors and/or Audit & Supervisory Board Members]**

For Audit & Supervisory Board members, full-time personnel are in place in the secretariat of the Audit & Supervisory Board to help them perform their duties. For outside directors, relevant materials are provided along with agenda items prior to a meeting of the Board of Directors, and department in charge of an agenda item gives explanation where necessary. Further, outside directors and the Audit & Supervisory Board regularly meet to exchange information and share the same recognition concerning the Company's business, internal control, corporate governance and other matters.

#### **[Status of Persons Who Have Retired from a Position Such as Representative Director and President]**

Retired Representative Director and President, etc. Holding Advisory or Any Other Position in the Company

Name	Title/ Position	Responsibilities	Working Form and Conditions (Full-time/Part-time, Paid/Unpaid, etc.)	Date of Retirement from Position such as President	Term of Office
-	-	-	-	-	-

total Number of Retired Representative Director and Presidents, etc. Holding Advisory or Any Other Pension in the Company	0
--	---

Other Matters

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

The Board of Directors consists of nine members, five of whom are independent, and operates to ensure correct business judgement. The Articles of Incorporation stipulates that the maximum number of directors on the Board of Directors is 15. The Board of Directors holds a regular monthly meeting to discuss important matters and hear reports about business activities. The Company has established the Advisory Committee on Appointments and Remuneration as a discretionary advisory committee under the Board of Directors. The member of the committee is President (CEO) and five outside directors and the Committee is chaired by an outside director. The Board of Directors consults this committee regarding the selection of candidates for the position of director and Audit & Supervisory Board member, the appointment and dismissal of President (CEO) and executive officers, the choosing of successors to President (CEO) and revisions of the internal regulations on director's compensation, and seeks advice from the independent outside directors to ensure the transparency and objectivity of decision making.

In accordance with the Articles of Incorporation of the Company and Article 427(1) of the Companies Act, the Company has entered into agreements with each outside director to limit their liability for damages stipulated in Article 423(1) of the Companies Act, and has set their maximum liability for damages in accordance with Article 425(1) of the Companies Act.

In addition to the Board of Directors, the Company has established the Management Committee consisting of directors and concerned executive officers for prompt decision making. The term of a director has been limited to one year in order to facilitate responsible management in each fiscal year. The Audit & Supervisory Board comprises four full-time members and three of them are outside members. Audit & Supervisory Board members attend meetings of the Board of Directors and the Management Committee to oversee directors' business execution objectively and form and express opinions impartially. The Audit & Supervisory Board conducts its audit in coordination with Independent Auditors and Corporate Audit Office as well. The Audit & Supervisory Board receives reports from the Independent Auditors about their auditing plans and the status of their audit, and also receives reports from Corporate Audit Office about the results of internal audit. Furthermore, the secretariat of the Audit & Supervisory Board staffed by full-time personnel has been in place to help Audit & Supervisory Board members with their duties and thereby ensure the effectiveness of audit conducted by the Audit & Supervisory Board.

Five outside directors and two outside Audit & Supervisory Board members are independent. The Company appoints Ernst & Young ShinNihon LLC as an accounting auditor. In addition to that the Company has established Code of Conduct of Nippon Sanso Holdings Group and strives to ensure compliance and business ethics of the group companies.

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

The Company considers that the system described above in "2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination, and Remuneration Decisions" is the most appropriate corporate governance system for the Company in light of characteristics and size of the Group's business.

The Company has five outside directors. The Audit & Supervisory Board comprises four full-time members, three of whom are outside. Having the five outside directors and two out of



the three outside members of the Audit & Supervisory Board satisfies the independence standard for outside directors/Audit & Supervisory Board members required by the Tokyo Stock Exchange. The Company ensures the objectivity and fairness of management oversight functions.

### **III. Measures Implemented for Shareholders and Other Stakeholders**

#### **1. Measures to Ensure Active General Meetings of Shareholders and Smooth Exercise of Voting Rights [Updated]**

	Supplementary Explanation
Early Notification of General Shareholder Meeting	Notices of convocation for General Meetings of Shareholders are mailed to shareholders at the earliest possible date prior to the date designated by law.
Scheduling GMs Avoiding Overlapping with Other AGMs	The Company sets the date for annual General Meetings of Shareholders early to avoid dates on which many other shareholders' meetings are held.
Allowing Electronic Exercise of Voting Rights	To enhance the convenience for exercising shareholders' voting rights, the Company has allowed shareholders to exercise their voting rights electronically.
Participation in an Electronic Voting Platform and Other Measures for Enhancing the Exercise of Voting Rights of Institutional Investors	The Company has used the platform provided by ICJ, Inc. to enable institutional investors to exercise their voting rights electronically.
Provision of Convocation Notice (Summary) in English	The Company has notices of convocation (in the narrow sense) of, and reference documentation for, General Meetings of Shareholders, business reports, part of financial statements, independent auditor's audit report and audit report of the audit and supervisory board translated into English, and posts them on its website and the Tokyo Stock Exchange's Company Announcements Service, along with Japanese version of the notices of convocation.
Other	The Company conducted Livestreaming exclusively for shareholders via the Internet. We have posted a video of some of the proceedings from the General Meeting of Shareholders on our website after the meeting.

## 2. IR Activities **[Updated]**

	Supplementary Explanation	Provision of Explanations by the Company Representative
Formulation and Publication of Disclosure Policies	We have disclosed Nippon Sanso Holdings Group Investor Relations (IR) Policy (Basic Principles for Dialogue and Disclosures Concerning IR Activities) on our website. ( <a href="https://www.nipponsanso-hd.co.jp/en/ir/management/irpolicy.html">https://www.nipponsanso-hd.co.jp/en/ir/management/irpolicy.html</a> )	
Regular Investor Briefings for Analysts and Institutional Investors	Twice a year, following announcement of the full year and the first half consolidated business performance respectively, the Company holds investor briefings with presentations by President (CEO) for analysts from securities firms and institutional investors. CFO explains business result every quarter via telephone conference on the date the result is disclosed. In addition to that CFO or IR manager participates conference held by investors and makes presentation of company's business and financial result.	Provided
Posting of IR Materials on Corporate website	1. Financial Results 2. Notices of Convocation and Resolution of General Meeting of Shareholders 3. Integrated Report 4. Annual Securities Report 5. Electronic Public Notice Others	
Establishment of Department and/or Manager in Charge of IR	Investor Relations of Group Finance and Accounting	

## 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Group stipulates respect for the position of stakeholders in its Code of Conduct and the related policies, all of which are available on the Company's website.
Implementation of Environmental Activities, CSR Activities etc.	The Company prepares an Integrated Report for the performance of environmental activities, CSR activities and other matters each year and publishes it on its corporate website.

#### **IV. Matters Related to the Internal Control System**

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

###### **Basic Policy on Internal Control System**

The Board of Directors of the Company has approved a resolution as follows regarding a framework for ensuring the appropriateness of business (internal control system) pursuant to provisions in the Ordinance for Enforcement of the Companies Act.

##### **(1) A system to ensure that the execution of duties by directors and employees of the Group comply with laws and regulations and the Articles of Incorporation.**

- The directors of the Company shall determine the basic policy of compliance in the Group and establish the organization and rules to ensure its effectiveness.
- The Group Chief Compliance Officer (hereinafter referred to as “Group CCO”) is assigned to the Company, and a Regional Chief Compliance Officer (hereinafter referred to as “Regional CCO”) is assigned to each region. The Group CCO is in charge of supervision of compliance promotion activities in the Group, and the Regional CCO is in charge of supervision of compliance promotion activities in its region.
- The Group CCO and Regional CCO shall strive to enhance and establish the Group's compliance promotion activities.
- The “Global Compliance Committee” is held by the Group CCO on a regular basis, to share the compliance promotion policy and contents of compliance promotion activities in each region, and to discuss on the respective issue as necessary.
- We will establish a whistleblowing system in Japan and overseas to ensure a system that allows us to report compliance violations within the Group and the possibility of such violations without suffering any disadvantages.
- In order to ensure the reliability of financial reporting, an internal control reporting system shall be established and its effective and efficient operation and evaluation shall be carried out.
- Internal audit department of the Company shall carry out an internal audit of the operational status of the above organizations, institutions.

##### **(2) Matters concerning the storage and management of information related to the execution of duties by directors**

- Information related to the execution of duties by directors will be appropriately stored and managed based on the Information Security Policy and other related requirements as defined by the Group's Information Security Management System.

- The above storage and management shall maintain the information available to directors and Audit & Supervisory Board Members.
- The Company's internal audit department shall carry out an internal audit of the above operational status.

### **(3) Regulations and other systems for managing the risk of loss for the Group**

- The directors of the Company shall determine the basic policy of risk management in the Group and establish the organization and rules to ensure its effectiveness.
- Risk management shall be carried out by the department in charge of the relevant field, and Global Risk Management Committee shall be established to select important risks for the entire Group and formulate countermeasure.
- Internal audit department of the Company shall carry out an internal audit of the operational status of the above organizations, institutions.

### **(4) A system to ensure the efficient execution of duties by the directors of the Group**

- In order to ensure the efficiency of the duties of the directors, the board of directors shall make reasonable division of duties and appoint appropriate executive officers.
- The Representative Director and President shall execute his duties based on the basic policy specified by the Board of Directors, and discuss and decide on the necessary issues at the management meeting.
- The Global Strategy Review Committee shall formulate the Group's management strategy and manage its progress.
- A long-term management vision and a group medium-term management plan shall be formulated, quantitative and qualitative targets shall be set in order to achieve the plan, and performance management shall be carried out through quarterly monitoring.

### **(5) A System to ensure the appropriateness of operations in the Group**

- Based on the above policy, group management rules and other related rules, we manage its business, and compliance promotion, risk management and other systems that make up the internal control system shall cover the entire group, and as a holding company, the company shall maintain and operate the internal control system while respecting the independence of each group company. We shall support and manage it according to the situation.
- Internal audit department of the company shall cooperate with the internal audit department of each company of the Group, and shall grasp and evaluate the maintenance status of the internal control system of the Group through the audit of each company of the Group.

**(6) A system for employees when Audit & Supervisory Board Members request the appointment of employees to assist them**

- As an organization that assists the duties of Audit & Supervisory Board Members, the secretariat of the Audit & Supervisory Board Members, which is independent of the command and order of directors, shall be established and dedicated employees shall be assigned.

**(7) Matters concerning the independence of employees in the previous item from directors and ensuring the effectiveness of instructions given to such employees**

- The employee of the secretariat of Audit & Supervisory Board Members in the preceding item shall not receive the command and order of the directors when receiving an order necessary for audit work from Audit & Supervisory Board Members.
- The evaluation of the employee shall be carried out by the Audit & Supervisory Board Members, and the prior consent of the Audit & Supervisory Board Members shall be obtained for the transfer and disciplinary action.

**(8) A system for reporting to the Audit & Supervisory Board Members of the Company, system for ensuring that the person who reported to the Audit & Supervisory Board Members of the Company will not be treated unfavorably because of the report**

- Audit & Supervisory Board Members and Directors shall hold regular meetings to share information, and Directors and Employees shall report the following matters i. to v. to Audit & Supervisory Board Members without delay in addition to the legal matters.
- The directors and employees of the company and the directors, corporate auditors and employees of each group company report to the department in charge of the company regarding matters corresponding to iv. or v. below, and also report directly to the Audit & Supervisory Board Members or the Board of Corporate Auditors. It shall be possible.
- It is prohibited for a person who has made a report to the Audit & Supervisory Board Members specified in this item to be treated unfavorably because of the report
  - i. Contents decided by the Directors regarding important matters that affect the management of the Company or each Group company
  - ii. Results of internal audits conducted by the department in charge of the Company or each Group company
  - iii. Of the whistleblowing, the content that has a significant impact on the management of the Company or each Group company
  - iv. Matters that violate compliance and have a significant impact on the management of the Company or Group companies

- v. Among matters related to quality defects and product defects, matters that have a significant impact on the management of the Company or each Group company

**(9) Policy related to the processing of expenses or debts incurred in the execution of duties by Audit & Supervisory Board Members**

When an Audit & Supervisory Board Member make a request for prepayment or reimbursement of expenses for the execution of their duties, they promptly apply unless it is deemed that the expenses or obligations related to the request are not necessary for the execution of his / her duties. Expenses or debts shall be dealt with.

**(10) Other systems to ensure that audits by Audit & Supervisory Board Members are conducted effectively**

The Board of Auditors receives prior reports on the audit plans of Accounting Auditor and regularly receives reports on the Auditing Plan of Accounting Auditor in order to cooperate with the internal audit department, supervise Accounting Auditor, and ensure the independence of the Accounting Auditor from the directors. We shall maintain close contact with each other by receiving reports of audit results.

**2. Basic Thinking on Eliminating Anti-Social Forces and the Progress of System Development**

Basic Policy on Eliminating Anti-Social Forces

The Group's Code of Conduct has the section titled "Rejection of Relationship with Anti-Social Forces" that specifies "the Group reacts resolutely towards anti-social forces and will never have any relationship with anti-social forces. Moreover, the Group will resolutely reject any unreasonable request made by anti-social forces or their equivalent and will not try to solve the request with money." The Company ensures that this principle is made known thoroughly to its officers and employees.

---

## **V. Other**

### **1. Adoption of Anti-Takeover Measures**

Adoption of Anti-Takeover Measures	Not Adopted
------------------------------------	-------------

Supplementary Explanation on Relevant Matter

N/A

### **2. Other Matters Concerning to Corporate Governance Organization**

#### **1. Our Approach to Timely Disclosure**

The Company has established the Nippon Sanso Group Code of Conduct to guide the conduct of all Group officers and employees, which stipulates that: we are aware of the importance of accountability in corporate activities, where we reserve transparency; we always maintain an open stance to internal and external stakeholders and endeavor to disclose information in an appropriate manner; we are truly open to views and criticism concerning information disclosure and have good faith communication, which we optimize in corporate activities.

The Company has also maintained Nippon Sanso Holdings Group Investor Relations (IR) Policy (Basic Principles for Dialogue and Disclosures Concerning IR Activities) and published it on its corporate website.

(<https://www.nipponsanso-hd.co.jp/en/ir/management/irpolicy.html>)

#### **2. Overview of Timely Disclosure**

The specifics of the Company's system for timely disclosures are as follows:

General Manager of IR department is responsible for handling information for timely disclosure, and Group Finance and Accounting Office are responsible for announcement thereof.

##### **(1) Disclosure of Information on Decision**

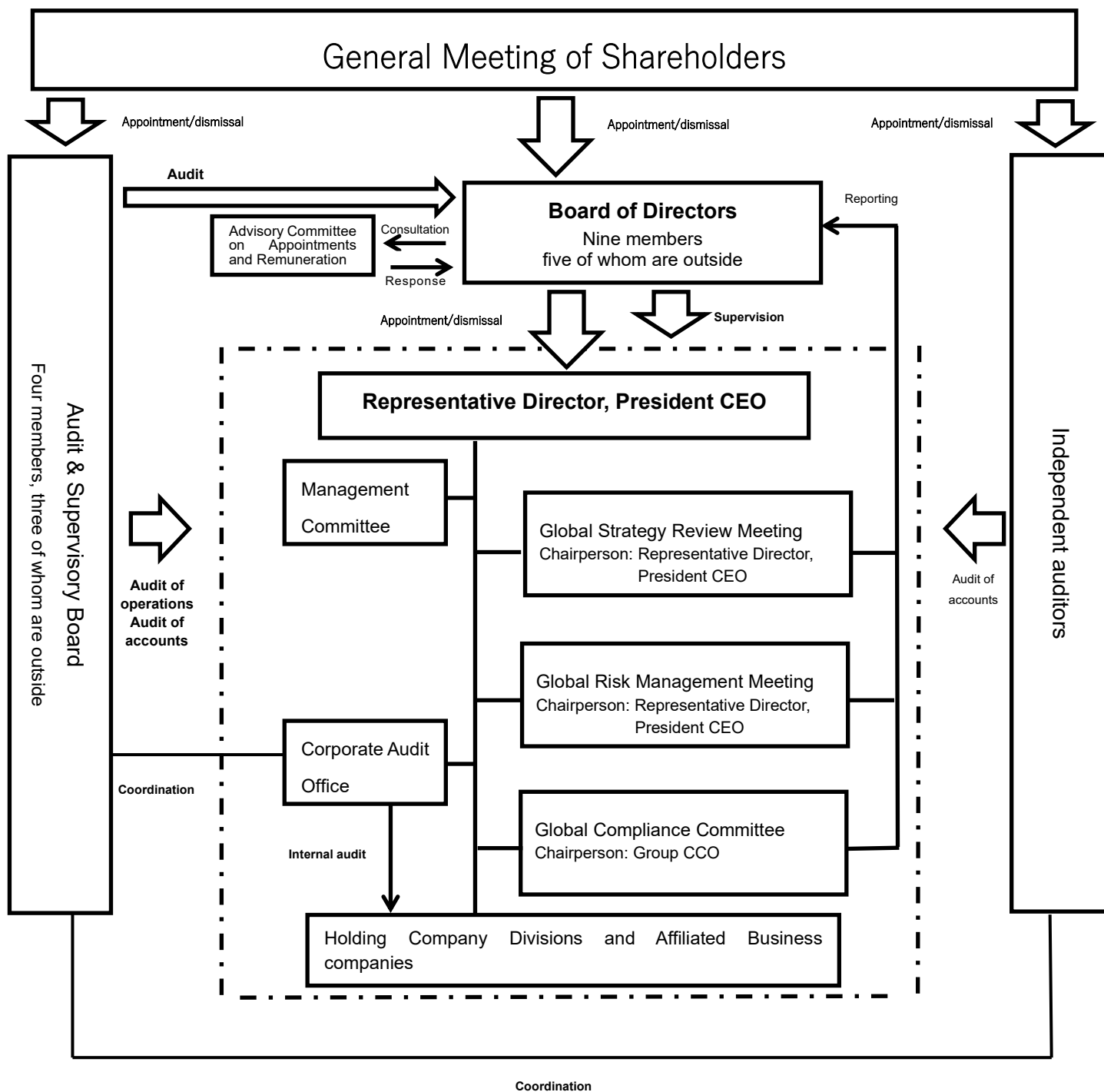
Decisions made by the Board of Directors that, in the opinion of officer of Group Legal Office, fall under the information subject to timely disclosure shall be disclosed in a timely manner by Group Finance and Accounting Office.

##### **(2) Disclosure of Information on Occurrence of Material Fact**

When any fact that might constitute a material fact has occurred, a business division that becomes aware of the occurrence must report on it to officer of Group Legal Office, and then, where necessary, to President (CEO), the Board of Directors, and the Management Committee. If officer of Group Legal Office determines that the occurrence of the material fact falls under the information subject to timely disclosure, the information shall be disclosed in a timely manner by Group Finance and Accounting Office.

##### **(3) Financial Information**

Information on financial results shall be disclosed in a timely manner by Group Finance and Accounting Office, under the instructions of chief financial officer (CFO) subject to prior approval of the Board of Directors.





**Important Notice – Trading of Nippon Sanso Holdings Corporation Common Stock, Disclaimer Regarding Un-sponsored American Depositary Receipts**

Nippon Sanso Holdings Corporation ("NSHD") encourages anyone interested in buying or selling its common stock to do so on the Tokyo Stock Exchange, which is where its common stock is listed and primarily trades. NSHD's disclosures are not intended to facilitate trades in, and should not be relied on for decisions to trade, un-sponsored American Depositary Receipts ("ADRs").

NSHD has not and does not participate in, support, encourage, or otherwise consent to the creation of any un-sponsored ADR programs or the issuance or trading of any ADRs issued thereunder in respect of its common stock. NSHD does not represent to any ADR holder, bank or depository institution, nor should any such person or entity form the belief, that (i) NSHD has any reporting obligations within the meaning of the U.S. Securities Exchange Act of 1934 ("Exchange Act") or (ii) NSHD's website will contain on an ongoing basis all information necessary for NSHD to maintain an exemption from registering its common stock under the Exchange Act pursuant to Rule 12g3-2(b) thereunder.

To the maximum extent permitted by applicable law, NSHD and its affiliates disclaim any responsibility or liability to ADR holders, banks, depository institutions, or any other entities or individuals in connection with any un-sponsored ADRs representing its common stock.