

## Initiatives for “the Japan's Corporate Governance Code”

Listed companies are required by the Securities Listing Regulations to disclose the status of their initiatives based on the Japan’s Corporate Governance Code.

In order to contribute to a constructive dialogue with shareholders, NIPPO LTD. (the Company, we) have disclosed the following initiatives including “principles that require disclosure of specific matters”, “Principle 1-3” etc. those may have a significant impact on the interests of shareholders, based on the purpose of the Code, which is to contribute to the development and success of companies, investors and the Japanese economy as a whole through individual companies’ self-motivated actions so as to achieve sustainable growth and increase corporate value over the mid- to long-term.

The initiatives disclosed in this document are summarized in the table below.

Code No.	Disclosure
Principle 1.3	<a href="#">Basic Strategy for Capital Policy</a>
Principle 5.2	<a href="#">Establishing and Disclosing Business Strategies and Business Plans</a>
Principle 1.4	<a href="#">Cross-Shareholdings</a>
Principle 1.7	<a href="#">Related Party Transactions</a>
Principle 2.4.1	<a href="#">Ensuring Diversity in the Core Human Resources</a>
Principle 2.6	<a href="#">Roles of Corporate Pension Funds as Asset Owners</a>
Principle 3.1	<a href="#">Full Disclosure</a>
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Principle 4.11.2	<a href="#">Concurrent Executive Positions at Other Listed Companies Held by Outside Directors</a>
Principle 4.11.3	<a href="#">Summary Results of the Evaluation on the Board of Directors</a>
Principle 4.14.1-2	<a href="#">Director and Audit and Supervisory Committee Member Training</a>
Principle 5.1	<a href="#">Policy for Constructive Dialogue with Shareholders</a>

## **【Principle 1.3 Basic Strategy for Capital Policy】**

Because capital policy may have a significant effect on shareholder returns, companies should explain their basic strategy with respect to their capital policy.

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## **【Principle 5.2 Establishing and Disclosing Business**

### **Strategies and Business Plans】**

When establishing and disclosing business strategies and business plans, companies should articulate their earnings plans and capital policies, and present targets for profitability and capital efficiency after accurately identifying the company's cost of capital. Also, companies should provide explanations that are clear and logical to shareholders with respect to the allocation of management resources, such as reviewing their business portfolio and investments in fixed assets, R&D, and human capital, and specific measures that will be taken in order to achieve their plans and targets.

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#### **1. Basic Strategy for Capital Policy**

The company's basic policy is to continue investing in growth while maintaining financial soundness, and to enhance mid-to-long-term corporate value through sustainable profit growth.

#### **2. Establishing and Disclosing Business Strategies and Business Plans**

##### (1) Cost of Capital

- The company sees our cost of capital and our cost of shareholders' equity as around 9%. We face two challenges in this area: High cost of shareholders' equity at present due to investment risk level, which has been affected by large impairment losses incurred in previous years; and the insistence of markets on categorizing Nippo as a specialist trading company (an industry that tends to have a lower PER overall) despite the fact that trading is just one of two core businesses, the other being manufacturing.
- In our efforts toward "tree-ring management," we set numerical targets in three-year spans in Medium-Term Management Plans rather than set

single-year goals. By working toward and achieving these targets, we strive to steadily improve earning power. To this end, we will strengthen our manufacturing functions and create new business segments through our newly adopted business portfolio management style, and will strive for ROE in excess of cost of shareholders' equity by pivoting to high-growth, high-profitability operations.

(2) Medium-Term Management Plan 2025 (Apr 1, 2023 ~ Mar 31, 2026)

※This reflects the revisions announced on March 25, 2024 in the "Notice of Partial Revision of Medium-Term Management Plan 2025."

① Quantitative Targets

- We have set two important management indicators: "consolidated operating income", which is the profit of our core business, and "ROE", which indicates shareholder equity efficiency. In fiscal 2025, the final year of this management plan, we have set a quantitative target of "achieving operating income of 2 billion yen/year", which is a milestone for our company.

<Comparison of Quantitative Targets>

		Medium-Term Management Plan 2022 Results	Medium-Term Management Plan 2025 Targets	Growth Rate
1	3-year Cumulative Total of Consolidated Operating Income	3.88bJPY	5.73bJPY	147%
2	3-year average ROE	7.3%	≥10.0%	136%

【Reference】

<Medium-Term Management Plan 2025 Results>

		FY2023
1	Consolidated Operating Income	1.91 bJPY
2	ROE	10.7%

②Initiatives

- We introduce business portfolio management to allocate management resources to businesses with high growth potential and profitability, while downsizing or withdrawing from businesses in each business segment that

do not contribute directly or indirectly to the growth of operating income (amount) and that cannot be expected to contribute as time passes.

<Business Domains for Investment of Management Resources>

	Core Businesses	New Businesses	Strengthening Functions
Electronics	<ul style="list-style-type: none"> <li>• Semiconductor materials</li> <li>• Wiring board materials</li> </ul>	<ul style="list-style-type: none"> <li>• Hydrogen energy components</li> <li>• Power device components</li> </ul>	<p><b>Strengthening manufacturer functions</b></p> <ul style="list-style-type: none"> <li>• Film slit processing</li> <li>• High performance adhesives</li> <li>• Wafer polishing carriers</li> <li>• In-house planned products</li> </ul>
Mobility	<ul style="list-style-type: none"> <li>• Electronic control parts</li> <li>• Coil parts</li> </ul>	<ul style="list-style-type: none"> <li>• Sensor related parts</li> <li>• Automation</li> </ul>	<p><b>Enhancing cost competitiveness</b></p> <ul style="list-style-type: none"> <li>• Promoting automation in</li> </ul>
Medical & Precision Devices	<ul style="list-style-type: none"> <li>• Disposable parts for medical equipment</li> </ul>	<ul style="list-style-type: none"> <li>• Parts for medical robots</li> </ul>	<p>Mass production and inspections process</p>

③ Investment Plan

a. Investment in Current Business (including core business)

- Plan within the range of depreciation expenses in each fiscal year

b. Investment in Human Capital and Growth Investment in New Businesses and Enhancement of Business Functions

(Including growth investments, intellectual property rights, creation of novel know-how, alliances with partners and M&A for the Medium-Term Management Plan 2028-“Step Up” phase)

- Having reconsidered what we think is an appropriate level of working capital, we will adjust the balance of cash and deposits and effectively leverage increased free cash and the borrowing capacity of interest-bearing debt to double investment in human capital and growth investment in new businesses and enhancement of business functions from 3.0 bJPY to 6.0bJPY.

④ Basic Policy for Shareholder Returns

- With cash dividends as the pillar of shareholder returns, we have established a basic policy of “increasing dividends in line with sustainable profit growth”, and aim to continuously improve both the total amount of dividends and the dividend payout ratio.

<Target in Medium-Term Management Plan 2025>

- For the duration of the Medium-Term Management Plan 2025, our goal is to expand investment in human capital and growth investment in new businesses and enhancement of business functions, while increasing the dividend payout ratio from 35% to around 50% and achieving consistent increases in dividends to shareholders.

	Dividend per share (end of FY)	Payout ratio
FY2023	74 JPY	around 50%
FY2024	76 JPY	
FY2025	78 JPY	

**【Reference】**

<Results in Medium-Term Management Plan 2022>

	Dividend per share (end of FY)	Payout ratio
FY2020	10 JPY	731.6%
FY2021	22 JPY	19.4%
FY2022	33 JPY	23.4%

<Results in Medium-Term Management Plan 2025>

	Dividend per share (end of FY)	Payout ratio
FY2023	74 JPY	45.5%

⑤ Measures to achieve 1x PBR

- In order to achieve PBR of 1x, we will implement measures from three perspectives: IR Measures, Balance Sheet Efficiency, and Strengthening Profitability and then we will continue to increase ROE.

a. IR Measures

- Tree ring management  
Continue to explain the efforts and results that have been implemented to realize tree ring management since the medium-term management plan 2019.
- Strengthening IR measures for institutional investors  
Utilize English-language sponsored research reports proactively for

overseas institutional investors and strengthen dialogue with domestic and overseas small and medium-capitalization funds, etc.

b. Balance Sheet Efficiency

- Reducing the debt effect

Control the interest-bearing debt balance with free cash that would be increased due to profit expansion, etc. (do not increase excessively)

- Curbing increase in “Accumulated other comprehensive income”

Planning and execution of measures to curb increases in this account, which tend to be affected by exchange rate fluctuations

c. Strengthen Profitability

- Profit expansion under the Medium-Term Management Plan 2025

- Continuation of “initiatives to create a sustainable competitive advantage” described by segment

([https://www.nip.co.jp/english/esg/.assets/esg\\_torikumi\\_en.pdf](https://www.nip.co.jp/english/esg/.assets/esg_torikumi_en.pdf) )

- Through the introduction of business portfolio management

- ▶ Redistribute resources to "main business", "new business", and "functional enhancement" of the current segments
- ▶ Allocate resources for the creation of new business segment

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## **【Principle 1.4 Cross-Shareholdings】**

When companies hold shares of other listed companies as cross-shareholdings, they should disclose their policy with respect to doing so, including their policies regarding the reduction of cross-shareholdings. In addition, the board should annually assess whether or not to hold each individual cross-shareholding, specifically examining whether the purpose is appropriate and whether the benefits and risks from each holding cover the company's cost of capital. The results of this assessment should be disclosed.

Companies should establish and disclose specific standards with respect to the voting rights as to their cross-shareholdings, and vote in accordance with the standards.

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### **1. Policy on Cross-Shareholdings**

The company's policy is to hold or acquire shares of listed companies only if the significance and economic rationality are deemed sufficient after appropriate procedures based on sufficient consideration. Accordingly, we will reduce our holdings of listed shares that were deemed to not have sufficient significance or economic rationality, and disclose such reductions annually.

### **2. Criteria for Exercising Voting Rights on Cross-shareholdings**

When exercising voting rights for shares, the company will make a decision by weighing each proposal based on its impact on the corporate value of the issuing company and on our corporate value.

## **【Principle 1.7 Related Party Transactions】**

When a company engages in transactions with its directors or major shareholders (i.e., related party transactions), in order to ensure that such transactions do not harm the interests of the company or the common interests of its shareholders and prevent any concerns with respect to such harm, the board should establish appropriate procedures beforehand in proportion to the importance and characteristics of the transaction. In addition to their use by the board in approving and monitoring such transactions, these procedures should be disclosed.

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### **1. Basic Policy on Related Party Transactions**

The company's basic policy is that the Board of Directors shall decide whether to approve or disallow business transactions with directors, major shareholders, etc., after comparing the terms of the transaction with those of other existing business partners.



## **【Principle 2.4.1 Ensuring Diversity in the Core Human Resources】**

Companies should present their policies and voluntary and measurable goals for ensuring diversity in the promotion to core human resources, such as the promotion of women, foreign nationals and midcareer hires to middle managerial positions, as well as disclosing their status.

In addition, in light of the importance of human resource strategies for increasing corporate value over the mid-to long-term, companies should present its policies for human resource development and internal environment development to ensure diversity, as well as the status of their implementation.

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### **1. Ensuring Diversity in Core Human Resources**

#### **(1) Policy on Diversity in Hiring of Core Personnel**

The company's policy is to hire people for management positions (which constitute core personnel) who meet or are expected to meet the job requirements and behavioral standards we establish in accordance with the Rank-specific Work Regulations and Management Position Work Regulations, and to do so regardless of gender, nationality, and age, or whether an individual came to Nippo as a recent graduates or as a mid-career hire.

#### **(2) Metrics and Goals**

We believe that having multiple perspectives—in other words, diversity—in core personnel, boosts organizational effectiveness. While our overseas subsidiaries have made progress in promoting female employees to management positions, the percentage of female directors and managers at Nippo in Japan (non-consolidated) was only 4.4% at the end of FY2023. This remains a challenge, but we are working to improve. For instance, it is our priority to build a pool of female employees and ready them for such positions; we do this by making women a larger percentage of those on the career-track and in specialist positions, which are candidates for future directorships and management positions, and promoting more women to assistant manager and have them begin leading teams of staff.

- Ensuring Diversity in Core Human Resources

	FY2023 Results	FY2025 Target
Percentage of woman employees in career-track and professional positions (not including managers)	9.8%	15%
Percentage of woman employees among employees at assistant manager level (including general staffs)	30.5%	40%

\*The above targets pertain to employees of Nippo (non-consolidated; includes Nippo employees seconded to overseas and domestic subsidiaries; excludes employees hired directly by overseas and domestic subsidiaries).

\*More information on women in management positions (e.g., numbers, percentages) at the consolidated Nippo Group, including overseas and domestic subsidiaries, is available at our website. [https://www.nip.co.jp/english/esg/.assets/esg\\_society\\_en.pdf](https://www.nip.co.jp/english/esg/.assets/esg_society_en.pdf)

<Measures>

- Exemption from Transfer to Other Regions

In FY2022, the company introduced a system under which employees can be exempted from transfer to other regions, thus facilitating the establishment of career paths in which employees can choose working styles that suit their life plans and apply their management and specialist work skills without compromising a viable balance of home life, childcare, and work. Under this system, male and female employees in career-track and specialist positions are exempted from being transferred to other regions for a certain period, allowing them to concentrate on childcare, and those in general positions (which are not subject to transfers) who switch to career-track or specialist positions (which are), can choose to remain exempted from being transferred to other regions.

- Creating a Workplace Environment Where Everyone Can Play an Active Role

We continue to create a system that allows any interested individual to take on the challenge of new initiatives and gain successful experience without the limits imposed by occupational classifications or specializations, thereby providing opportunities to encounter "more than the sum," an experience that results from discussions featuring multiple perspectives.

In addition to continuing the "Strength Building Project" that started in FY2022 with the aim of securing our competitive advantage, we introduced a "Challenge Box" in FY2023. This is a system in which the general manager of the division to which the employee belongs accepts the desire of employees to take on challenges on their own, and supports them until they can experience success. In one year, 280 challenges were submitted from 262 employees. Currently, each

and every one of our employees is taking on a challenge that they have committed to on their own.

## **2. Measures to Ensure Diversity**

The NIPPO Group's employees—who we consider to be our technical innovators—are the source of our competitive advantage, and we may say that their existence is our strength. We enable "unique value creation" through the active participation and diverse perspectives of each employee as well as their mutual coexistence and cooperation. In order to continue this practice, the NIPPO Group is placing even greater focus on efforts to strengthen human capital and increase diversity.

### **(1) Policy for Ensuring Diversity**

#### ① Policy for Developing human resources who can create unique value

- Continuously maintaining our practice of unique value creation requires employees to continue honing their expertise, to respect each other's values and ways of thinking, and to support derivation of the ideas and challenges of "more than the sum." Thus, we strive to create a workplace environment in which employees have a high degree of work engagement and are actively involved.

#### ② Creating a Workplace Environment Where Diverse Employees Can Play an Active Role

- We consider an environment in which employees can work in safety and with peace of mind to be a basic condition in continuing to create unique value. We will introduce and review various personnel systems as we strive to create a comfortable working environment based on work style reform/innovation. We also consider an environment in which diverse perspectives—that is, an environment enabling discussions between those with diverse characteristics, including gender and internationality, regardless of position, career, or age—to be a basic condition in continuing to create unique value. We will introduce and review various personnel systems for the diversification of human resources as we strive to create opportunities for everyone to play an active role.

### **(2) Metrics and Targets**

- ① Developing Human Resources Who Can Create Unique Value  
<Enhancing Employee Training>

Metrics	FY2023 Results	FY2025 Target
Participation rate of level-specific training	95%	100%
Participation rate of training for managers	100%	100%

• Initiatives

▸ Stratified Human Resource Development System

To develop technical innovators with technology and strategic thinking from a medium-to long-term perspective, we have been phasing in a mutual learning form of training based on the concept of "teaching, learning, and growing together." In concrete terms, based on work requirements set for each level, we provide opportunities to carefully consider what employees want to be in the future and steps in achieving that.

▸ Developing Candidates for Management

For the purpose of improving the organization's ability to achieve goals, we conduct training in line with the training system aimed at strengthening management capabilities for managers and candidates for management positions. For example, at the "Basic Management Training" program for management candidates, they learn basic knowledge about management, such as how to lead the organization to achieve its goals and producing results through subordinates, and then they analyze issues in their own departments and integrate the results and action plans with their department heads in an aim to provide them with an opportunities to acquire practical basis knowledge and experience.

▸ Enhancement Through Job-Specific Training

We conduct training specific to each business division, allowing trainees to acquire the knowledge and skills required in their specialized fields, as we strive to create a system that enables our personnel to grow through their work.

② Creating a Workplace Environment Where Employees Can Work Safely and Securely

<Increasing the Childcare Leave Rate>

Metrics	FY2023 Results ※1	FY2025 Target ※2
Male Employees	33.3%	≥15%
Women Employees	100%	100%

※1 FY2023 results : Cumulative total from July 1, 2022 to March 31, 2024

※2 FY2025 target: Cumulative total from July 1, 2022 to March 31, 2026

•Initiatives

We have focused on creating a system and workplace environment that allows employees to take leaves of absence for a childbirth, childcare, or other reasons without worrying, while also enabling them to return to work without difficulty.

<Initiatives to Improve Mental Health and Employee Satisfaction>

Metrics	FY2023 Results	FY2025 Target
Stress Check Index ※1	99	94
Employee Satisfaction ※2	55.1%	≥65%
High Stress Percentage ※3	21.2%	<10%
Turnover Rate ※4	6.9%	<5%

※1 Stress Check Index: An indicator of "comprehensive health risk" established by the Ministry of Health, Labor and Welfare. The national average is set at 100. The higher index (above 100) indicates the higher risk that the working environment is having a negative impact on workers' health.

※2 Employee Satisfaction: Index of job satisfaction based on stress checks (percentage of employees who are "satisfied" or "somewhat satisfied" with their jobs)

※3 High Stress Percentage: Percentage of "employees deemed to be highly stressed" according to stress checks

※4 Turnover Rate: Turnover rate of regular employees (excluding mandatory retirement)

•Initiatives

Recognizing that our employees' mental health is a basic condition in leading a happy life for them and their families as well as in maintaining a lively workplace, we have been working to improve mental health, not only in terms of mental illness, but also with measures to revitalize communication in the workplace.

③Creating a Workplace Environment Where Everyone Can Play an Active Role

Since we believe a multifaceted perspective enhances an organization's growth, one aim is to increase the percentage of woman employees in career-track and professional positions as explained in 【Principle 2.4.1 Ensuring Diversity in the Core Human Resources】" 1 . Ensuring Diversity in Core Human Resources".

For specific activities (topics) related to "Ensuring Diversity in the Core Human Resources", please refer to our website

( [https://www.nip.co.jp/english/esg/.assets/esg\\_torikumi\\_en.pdf](https://www.nip.co.jp/english/esg/.assets/esg_torikumi_en.pdf) )

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## **【Principle 2.6 Roles of Corporate Pension Funds as Asset Owners】**

Because the management of corporate pension funds impacts stable asset formation for employees and companies' own financial standing, companies should take and disclose measures to improve human resources and operational practices, such as the recruitment or assignment of qualified persons, in order to increase the investment management expertise of corporate pension funds (including stewardship activities such as monitoring the asset managers of corporate pension funds), thus making sure that corporate pension funds perform their roles as asset owners. Companies should ensure that conflicts of interest which could arise between pension fund beneficiaries and companies are appropriately managed.

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The company operates a defined-benefit pension plan and a defined-contribution pension plan as a means of helping employees build assets and reduce the burden on the company's financial position. We have instituted regulations pertaining to the management of these corporate pension plans and assigned suitably qualified people to ensure that they function properly and stably.

For the defined-benefit plan, we have chosen an investment institution that has signed up to the Stewardship Code. We monitor the plan's performance periodically to confirm operational soundness and, based on that monitoring, work together with the firm to review the investment vehicles.

In selecting individual investments for the defined-benefit plan and exercising voting rights, we have an agreement with the investment management firm in which we entrust such matters to the firm, and thus the plan is managed appropriately to avoid conflicts of interest.

## **【Principle 3.1 Full Disclosure】**

In addition to making information disclosure in compliance with relevant laws and regulations, companies should disclose and proactively provide the information listed below (along with the disclosures specified by the principles of the Code) in order to enhance transparency and fairness in decision-making and ensure effective corporate governance.

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### **1. Company objectives (e.g., business principles), business strategies and business plans**

All officers and employees of Nippo are constantly aware of our Management Philosophy, Management Policy, and Code of Conduct, and strive to put these into practice.

#### **■ Management Philosophy**

(Those are our founding philosophy and represents our ultimate purpose.)

Our company members share a common destiny, with all staff united by goodwill and faith. We are committed to promoting both prosperity for our company and happiness for our staff and associates by creating new value and selling it as widely as possible, so as to repay society for its blessings.

#### **■ Management Policy**

(Policies indicating “the reason for our company’s being” and “the direction for our efforts”)

As a unique, value-creating company, we will continue to provide ideal, high-quality products and services to our customers who are leading the world in manufacturing.

We greatly value all of our stakeholders, and view our employees as a source of strength for our company, and will make it our goal to be a global company with roots in each of our local communities.

#### **■ Code of Conduct**

(A code that indicates the basis for actions (conduct) at our company)

##### **Customer Creed**

Think from the customer's prospective and provide the customer with "value plus alpha."

##### **Basic Consciousness**



Prize the basics of manufacturing (craftmanship), sales, and work.

**Fairness**

Comply with rules and strive to work in a fair manner.

**Taking on Challenges**

Set high goals and take on the challenge of reaching them.

**Speed**

Be quick in obtaining updated information, quick in action and quick in achieving results.

**Communication**

;Share information and knowledge and discuss them thoroughly.

**2. Basic Idea and Policies Based on each Principle of the Corporate Governance Code**

( 1 ) Basic Views on Corporate Governance

At Nippo, our Corporate Policy is: “As a unique, value-creating company, we will continue to provide ideal, high-quality products and services to our customers who are leading the world in manufacturing. We greatly value all of our stakeholders, and view our employees as a source of strength for our company, and will make it our goal to be a global company with roots in each of our local communities.” To realize that policy, we will strive to enhance the soundness, efficiency, and transparency of business administration by maintaining a corporate governance regime founded on lawful, accurate decision-making, execution, and audits.

( 2 ) Basic Policy on Corporate Governance

The company has instituted a Corporate Governance Code, which stipulates that we endeavor to contribute to the development of the company and our investors, as well as the economy as a whole, by acting autonomously toward sustainable growth and mid-to-long-term enhancement of corporate value. Under the code, our basic policy is to make a genuine effort to address the requirements of each principle, and to disclose our reasons in cases where we are unable to, or decide not to, take prompt action.

( 3 ) Matters Pertaining to Policy on Determining Directors’ Compensation Amounts and Calculation Methods

Regarding the representative director’s and executive directors’ compensation, on March 22, 2024, the Board of Directors partially revised

an Executive Compensation System (monetary compensation) that includes incentives linked to the mid-to-long-term business performance aimed at enhancing medium- to long-term corporate value and realizing sustainable society established on May 19, 2023. And the revised system have been applied since July 2024.

① Monetary Compensation

a) Representative Director and Executive Directors

The monthly amount of monetary compensation paid to the representative director and executive directors is the sum of A (fixed compensation) and B (incentive-based compensation) below, which shall be divided by 12 (months) and paid monthly.

Method of Calculation

A. Fixed Compensation

- Fixed compensation is 95% of executive compensation for the July 2022 – June 2023 period.

B. Incentive-based Compensation

- The base amount of incentive compensation shall be calculated by multiplying average consolidated net income for the past five years by the standard payment coefficient (maximum 5%).
- The total amount of incentive-based compensation shall be the amount obtained by multiplying this base amount by the weights and rates shown in the table below.
- In principle, the amount of incentive-based compensation paid to each director shall be an amount calculated by adding the total amount of incentive-based compensation to the ratio for directors' fixed compensation stipulated in A above.

Item evaluated	Weight	Weight		Degree of achievement / payout factor
		Compared with budget (target)	Compared with previous year	
Consolidated net sales	30%	70%	30%	≥110%/200%, ≤90%/0%
Consolidated operating profit	40%			≥150%/200%, ≤50%/0%
ROE	30%			≥150%/200%, ≤50%/0%

b) Non-executive Directors

The monetary compensation paid to outside directors and other non-executive directors shall be a fixed monthly amount determined in accordance with a comprehensive consideration of other companies' compensation standards and Nippo's business performance.

②Changes in Evaluation and Evaluation Criteria

a) Directors (excl. Audit and Supervisory Committee members)

On June 24, 2021, the Board of Directors voted to establish a Nomination and Compensation Advisory Committee consisting of five members: the representative director, the chairperson of the Audit and Supervisory Board, and three independent outside directors. The committee will be responsible for reporting to the Board of Directors on evaluation and changes to the evaluation criteria.

b) Directors (Audit and Supervisory Committee members)

Compensation paid to individual directors who are Audit and Supervisory Committee members is determined through discussions by the Audit and Supervisory Committee.

(4) Policies and Procedures for Appointment and Dismissal of Senior Management and Nomination of Candidates for Directorships and Audit and Supervisory Committee Memberships by the Board of Directors

①-1 Selection Criteria (Apply to All Positions)

- The individual must share our management philosophy and have the will and ability to work toward its realization
- The individual must be law-abiding
- The individual must be an honest person, and must be able to strive to improve his or her own character, dignity, and other qualities
- The individual must be able to constantly think and act in the best interest of the company as a whole
- The individual must be in good physical and mental health, and must be able to devote the time necessary to perform his or her duties faithfully
- The individual must meet the eligibility requirements for directors and outside directors stipulated by law

①-2 Selection Criteria (Audit and Supervisory Committee Members)

- The individual must have the insights and background to provide appropriate advice and opinions on the company's management policies and on ways to improve management.
- The individual must have no major interest in the company; the individual's independence must be guaranteed.
- The individual must be able to remain fair and unbiased.
- The individual must, in principle, attend at least 80% of the company's board meetings.
- One of the candidates must have significant knowledge of accounting and finance.

①-3 Selection Criteria (Outside Directors)

A person whose term of office (including periods during which such person was a corporate auditor of the company and periods up to the expiration of the term of office in the event that such person is newly reappointed) does not exceed twelve years, in principle.

② Grounds for Dismissal

- The individual no longer meets the selection criteria for directors
- The individual violates a law or regulation, Nippo's Articles of Incorporation, or contravenes public order and morals, etc., and thereby seriously damages the company's credibility or corporate value.

③ Approach to Board Composition, Etc.

- The company will appoint as outside directors those who have extensive experience in Management Strategy, Business strategy, Accounting· Finance·Tax, Investor relations·ESG, Personnel & Labor· Human Resources Development or Legal Affairs·Intellectual Property·Risk Management.
- The Audit and Supervisory Committee shall have a majority of outside directors.
- At least one third of members of Nippo's Board of Directors shall constitute independent outside directors.

(5) Procedures for Appointment and Dismissal of Directors (excl. Audit and Supervisory Committee Members)

- Directorship candidacies tabled at general meetings of shareholders

shall be discussed by the Nomination and Compensation Advisory Committee, which shall consist of five members—the president, the chairperson of the Audit and Supervisory Committee, and three independent outside directors—and the decision on whether or not to approve the appointment shall be made by the Board of Directors with due consideration of the company’s selection criteria and approach to board composition.

- Motions to dismiss directors tabled at general meeting of shareholders shall be decided on by the Board of Directors.

(6) Procedures for Appointment and Dismissal of Audit and Supervisory Committee Members

- Audit and Supervisory Committee membership candidacies tabled at general meetings of shareholders shall be decided on by the Board of Directors having first obtained the agreement of the Audit and Supervisory Committee, with due consideration of the company’s selection criteria and approach to board composition.
- Motions to dismiss Audit and Supervisory Committee members tabled at general meeting of shareholders shall be discussed by the Audit and Supervisory Committee and decided on by the Board of Directors.

(7) Explanations Regarding Individual Appointments and Dismissals of Senior Management and Nominations of Candidates for Directorships and Audit and Supervisory Committee Memberships as per (4) Above

- Starting from the 68th Ordinary General Meeting of Shareholders, Nippo has changed its practice for tabling proposals regarding the appointment of directors (including Audit and Supervisory Committee members); the company now provides its reasons for nomination with each proposal.

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### **【Principle 3.1.3 Sustainability Initiatives】**

Companies should appropriately disclose their initiatives on sustainability when disclosing their management strategies. They should also provide information on investments in human capital and intellectual properties in an understandable and specific manner, while being conscious of the consistency with their own management strategies and issues.

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### **【Principle 4.2.2 Basic Policy for the Sustainability Initiatives】**

The board should develop a basic policy for the company's sustainability initiatives from the perspective of increasing corporate value over the mid- to long-term.

In addition, in light of the importance of investments in human capital and intellectual properties, the board should effectively supervise the allocation of management resources, including such investments, and the implementation of business portfolio strategies to ensure that they contribute to the sustainable growth of the company.

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#### **1. Sustainability Policy**

The NIPPO Group's management philosophy expresses our mission to promote both prosperity for our company and happiness for our staff and associates by creating new value so as to repay society for its blessings. We have established the following policies as sustainability policies based on our "Compliance Declaration and Code of Conduct, "which we are bound to follow as a good corporate citizen, and commit ourselves through our business activities to enhancing our medium-to long-term corporate value and bringing about a sustainable society in accordance with the SDGs.

Social Policies	<ul style="list-style-type: none"><li>•We understand and respect the basic human rights guaranteed by Japan's Constitution and the laws and regulations of each individual country, as well as the basic human rights stipulated in international guidelines.</li><li>•We respect every country's and region's culture and customs, and we strive to harmonize with and contribute to our local communities in cooperation with our diverse stakeholders.</li></ul>
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Environmental Policies	<ul style="list-style-type: none"> <li>•We promote business activities that help protect the global environment and continuously work to improve such activities.</li> <li>•We are proactive in dealing with the risks of climate change and strive to reduce CO2 emissions in the process of manufacturing and selling our products and materials.</li> </ul>	
Stakeholder Policies	Customers	With our new challenge of “creating and providing unique value,” we support our customers’ manufacturing businesses, and contribute to technological development and fuller, more convenient lifestyles around the world.
	Suppliers	We strive to build relationships as a trusted business partner based on the spirit of fairness and the philosophy of mutual prosperity through free and equitable business dealings.
	Employees	We adhere to the principle of mutual respect for one another's values and thinking, regardless of nationality, race, gender, age, religion, and other differences. We are committed to creating a workplace environment where employees can work with peace of mind as they take on challenges together, supporting our employees in their aim to build more enriching lives.
	Shareholders/ Investors	We disclose information to our shareholders and investors in a timely and appropriate manner and emphasize constructive dialogue aimed at enhancing medium to long-term corporate value.
	Local Community	As a good corporate citizen with roots in the community, we actively engage in programs that contribute to society.

## 2. Basic Policy Regarding Our Business Portfolio

- ( 1 ) With our focus on the three business segments of Electronics, Mobility, and Medical and Precision Devices, we take on the challenge of creating a competitive advantage in these domains while aiming to expand our business with the creation of a new, fourth segment including niche domains.
- ( 2 ) In each business segment, we will strategically invest management resources to businesses exhibiting high potential for growth and profitability and promote the shift of resources to these domains. Simultaneously, we plan to downsize or withdraw from businesses in each segment that does not contribute directly or indirectly to the growth of operating income (amount) or that is deemed unlikely to make a commensurate contribution over time.

- (3) To identify management indicators considering the cost of capital and to ensure the linkage between these management indicators and our business activities (operations), we set operating income (amount) growth targets for each business segment, with the Board of Directors supervising efforts to achieve medium-to long-term improvement in corporate value and regular reviews of our business portfolio.

### **3. Value Creation Process**

The Nippo Group conducts business in three core business segments: electronics, mobility, and medical and precision devices. As a technical innovator supporting our customers' manufacturing efforts, we apply six types of capital (financial, manufacturing, intellectual, human, social, and natural) and two functions (trading and manufacturing) and pursue an approach of thinking, selecting, and creating to constantly deliver unique value—something more than the sum of its parts—and contribute to enhance mid-to-long-term corporate value and in achieving a sustainable society.

More information on our quest for mid-to-long-term increases in corporate value and our ESG initiatives aimed at generating sustainable growth is available at our website.

[https://www.nip.co.jp/english/esg/.assets/esg\\_torikumi\\_en.pdf](https://www.nip.co.jp/english/esg/.assets/esg_torikumi_en.pdf)

### **4. Investment in Human Capital**

Being a technical innovator is at the very core of our identity and the bedrock that underpins our business style, in which we think, select, and create unique value by combining technical prowess with a robust value chain. Indeed, the readiness of our people to embody this creed is our chief strength. Accordingly, our policy is to:

- Ensure the health and safety of work environments for employees
- Endeavor to provide training and education as stipulated in item (2)① (Develop human resources who can create unique value) of section 2. (Initiatives aimed at securing diversity) of Supplementary Principle 2-4 ① (Ensuring Diversity in Hiring of Core Personnel)
- Support employees' efforts to build rewarding lives.

### **5. Investment in Intellectual Property**

Intellectual property is essential to our efforts to create a sustainable competitive advantage, and we have established a system to encourage invention and creation by employees and to generate motivation for research based on our Invention and



Design Regulations. As we see it, intellectual property is not limited to inventions and devices, but also includes the creation of new know-how and the development of technologies and components through alliances with partners. That's why we take a flexible approach to investing in intellectual property within the framework of the Investment Plan set forth in our Medium-Term Management Plan 2025.

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## **【Principle 4.1.1 Scope and Content of the Matters**

### **Delegated to the Management】**

The board should clearly specify its own decisions as well as both the scope and content of the matters delegated to the management, and disclose a brief summary thereof.

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In addition to matters authorized by laws and regulations as well as matters authorized by the articles of incorporation and resolutions of the general meeting of shareholders, the Board of Directors shall include matters to be resolved by the Board of Directors in the " Rules of the board of directors," and matters to be delegated to representative directors and executive directors as "Organizational Regulations" and "Administrative Authority Regulations" etc.

#### **1. Resolution of the Board of Directors**

(other than requirements of laws and regulations as well as matters authorized by the articles of incorporation and resolutions of the general meeting of shareholders)

##### ( 1 ) Matters related to important operations

- ① Establishment, revision, or abolition of important rules and regulations
- ② Investments of 100 million yen or more per transaction
- ③ External loans, debt guarantees, and the establishment of important security interests of 100 million yen or more per case
- ④ Waiver of debts of 50 million yen or more per case
- ⑤ Providing free profit of 5 million yen or more per case (including donations)
- ⑥ Conclusion of important contracts pursuant to the preceding four items
- ⑦ Other matters deemed necessary by the Board of Directors

##### ( 2 ) Important matters concerning the subsidiaries companies

- ① Deciding basic management policies
- ② Establishment, revision, or abolition of the articles of incorporation
- ③ Acquisition of licenses for management or business
- ④ Increase or decrease of capital
- ⑤ Establishment, relocation and abolition of subsidiaries companies and related company, etc.
- ⑥ Cash dividends

- ⑦(1) Items (viii) and (vii) as well as (iii) through (vii).
- ⑧Litigation, Conciliation and Arbitration, etc., and Dispute Resolution  
Pertaining to Multiple Labor Relations
- ⑨Establishment of rules and regulations contrary to the Company's rules  
and regulations

## **2. Summary of Matters Delegated to Directors**

- ① Matters involving amounts less than the base amount set forth in (1)②  
through ⑤ and in (2)⑦ of the Board of Directors' resolutions
- ② Matters pertaining to management organization, division of duties, and  
authority
- ③ Matters pertaining to personnel and labor affairs of employees  
(excluding appointment and dismissal of executive officers and  
subsidiary directors)
- ④ Transactions and matters incidental to transactions
- ⑤ Matters that director is authorized to handle by laws and regulations,  
Nippo's Articles of Incorporation, and shareholder meeting resolutions,  
as well as matters pertaining to the operation of regulations, etc.
- ⑥ Other matters pertaining to the operation of Board of Directors  
Resolutions

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## **【Principle 4.8 Effective Use of Independent Directors】**

Independent directors should fulfill their roles and responsibilities with the aim of contributing to sustainable growth of companies and increasing corporate value over the mid- to long-term. Companies listed on the Prime Market should therefore appoint at least one-third of their directors as independent directors (two directors if listed on other markets) that sufficiently have such qualities.

Irrespective of the above, if a company listed on the Prime Market believes it needs to appoint the majority of directors (at least one-third of directors if listed on other markets) as independent directors based on a broad consideration of factors such as the industry, company size, business characteristics, organizational structure and circumstances surrounding the company, it should appoint a sufficient number of independent directors.

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Nippo's Board of Directors is made up of 11 directors: 5 inside directors and 6 outside directors (of which, 5 are independent outside directors). As summarized in item 1. below (Approach to Board Composition), we believe that at least one third of the Board of Directors should be independent outside directors so that the board may receive frank opinions that contribute to sustainable growth and increased corporate value over the mid-to-long-term.

### **1. Approach to Board Composition, Etc.**

- The company will appoint as outside directors those who have extensive experience in Management Strategy, Business strategy, Accounting· Finance·Tax, Investor relations·ESG, Personnel & Labor· Human Resources Development or Legal Affairs·Intellectual Property·Risk Management.
- The Audit and Supervisory Committee shall have a majority of outside directors.
- At least one third of members of Nippo's Board of Directors shall constitute independent directors.

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## **【Principle 4.9 Independence Standards and Qualification for Independent Directors】**

Boards should establish and disclose independence standards aimed at securing effective independence of independent directors, taking into consideration the independence criteria set by securities exchanges. The board should endeavor to select independent director candidates who are expected to contribute to frank, active and constructive discussions at board meetings.

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Based on the independent director criteria stipulated by the Japan Exchange Group, we consider a director to be independent if none of the following apply.

1. The director is an executive of Nippo or its subsidiaries (hereinafter “the Nippo Group”)\*1
2. The director is a major shareholder of the Nippo Group (i.e., directly or indirectly holds 10% or more of total voting rights), or is an executive of a major shareholder
3. The Nippo Group directly or indirectly holds 10% or more of total voting rights in the director’s company, or is an executive thereof
4. The director is a major business partner of the Nippo Group\*2, or is an executive thereof
5. The Nippo Group is a major business partner of the director\*3, or is an executive in a major business partner of the director
6. The director belongs to an auditing firm that serves as the Nippo Group’s accounting auditor
7. The director is an attorney, certified public accountant, tax accountant, consultant, or other professional receiving monetary or material benefits from the Nippo Group other than executive compensation
8. The director belongs to a corporation, partnership, or other organization such as a law firm, auditing firm, tax accounting firm, or consulting firm, that receives monetary or material benefits from the Nippo Group
9. The director receives donations or grants from the Nippo Group, or is a director or other executive of a corporation, partnership, or other organization that receives donations or grants from the Nippo Group
10. The director is an executive officer or executive managing director of the Nippo

Group serving concurrently as an outside director or outside member of the Audit and Supervisory Committee of another company, and constitutes an executive of such other company

11. Any of items 2 through 10 above applied to the director in the past three years
12. The director is the spouse or relative (up to the second degree of kinship) of any person to whom any of items 1 through 10 above applies, and such person occupies an important position\*4

\*1. An “executive” is a director, executive officer, corporate officer, executive employee, a corporation or other organization, or a person who holds a position corresponding to the foregoing, and who has been a member of the Nippo Group within the past ten years.

\*2. A “major business partner of the Nippo Group” is a business partner that accounted for 2% or more of the Nippo Group’s annual consolidated sales in the most recent fiscal year; a business partner that provided loans equivalent to 2% or more of the Nippo Group’s consolidated total assets as of the end of the most recent fiscal year; or a business partner with whom the Nippo Group does ongoing business or who provides the Nippo Group with ongoing loans, regardless of the amount.

\*3. The Nippo Group is a “major business partner of a director” when the director is a business partner that receives from the Nippo Group payments that account for 2% or more of the business partner’s annual consolidated sales in the most recent fiscal year; or when the director is a business partner does ongoing business with the Nippo Group or the Nippo Group provides the business partner with ongoing loans, regardless of the amount.

\*4. A person who occupies an important position is a director (excluding outside directors), Audit and Supervisory Committee member (excluding outside members), executive officer, or employee in a managerial positions ranked department head or above

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## **【Principle 4.10.1 Nomination and Compensation Advisory Committee】**

If the organizational structure of a company is either Company with Kansayaku Board or Company with Supervisory Committee and independent directors do not compose a majority of the board, in order to strengthen the independence, objectivity and accountability of board functions on the matters of nomination (including succession plan) and remuneration of the senior management and directors, the company should seek appropriate involvement and advice from the committees, including from the perspective of gender and other diversity and skills, in the examination of such important matters as nominations and remuneration by establishing an independent nomination committee and remuneration committee under the board, to which such committees make significant contributions.

In particular, companies listed on the Prime Market should basically have the majority of the members of each committee be independent directors, and should disclose the mandates and roles of the committees, as well as the policy regarding the independence of the composition.

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Because the number of independent outside directors (5) does not constitute a majority of the board members (11), we will establish an independent Nomination and Compensation Advisory Committee under the Board of Directors, the main members of which will be independent outside directors, as a means of obtaining appropriate involvement and advice when considering particularly important matters such as nomination of directorship candidates and executive compensation.

<Member of the Nomination and Compensation Advisory Committee>

Position in this committee	Job Title	Name
Chairman	Independent Audit and Supervisory Committee Member (Outside)	Tsutomu Umeno
Member	President	Yasuchika Iwasa
	(Full-time) Audit and Supervisory Committee Chairman	Hiroyuki Kawabe
	Independent Audit and Supervisory Committee Member (Outside)	Keiko Ikeda
	Independent Audit and Supervisory Committee Member (Outside)	Hirokazu Tamaoki

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## **【Principle 4.11.1 View on the Appropriate Balance of the Board as a Whole, and also on Diversity and Appropriate Board Size】**

The board should identify the skills, etc. that it should have in light of its managing strategies, and have a view on the appropriate balance between knowledge, experience and skills of the board as a whole, and also on diversity and appropriate board size. Consistent with its view, the board should establish policies and procedures for nominating directors and disclose them along with the combination of skills, etc. that each director possesses in an appropriate form according to the business environment and business characteristics, etc., such as what is known as a "skills matrix." When doing so, independent director(s) with management experience in other companies should be included.

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We believe that the effectiveness of the Board of Directors is enhanced not only by the knowledge, experience, and abilities of each director, but also by having a diversity of perspectives, i.e., gender diversity and different nationalities. With regard to the balance of the Board of Directors, considering our business model, the functions of the management organization, and the scale of our operations, we think it is best for the internal director seats to be filled by the chief executive officer (i.e., representative director), the heads of multiple departments and business functions, and the heads of the various business and corporate divisions, and for the outside director seats to be filled by professionals such as attorneys, accountants, and business executives.

### **1. Policies and Procedures for Appointment and Dismissal of Directors**

For policies and procedures pertaining to the appointment and dismissal of directors (including Audit and Supervisory Committee members), see sections 2.(4)(5)(6) of Principle 3-1 (enhancement of information disclosure).



## 2. Skills Matrix (Skills (expertise and experience) required by the board of directors )

Name Skills (expertise and experience)		Board of Directors						Audit and Supervisory Committee Members				
		Yasuchika Iwasa	Hisatomo Mikami	Atsushi Nakamura	Yuji Okajima	Masahiro Goto	Yoko Dochi	Hiroyuki Kawabe	Tsutomu Umeno	Keiko Ikeda	Teiichi Gamo	Hirokazu Tamaoki
Management Strategy		●	●						●			
Business strategy	Sales & Marketing	●		●				●	●			
	Production and technology development	●			●			●	●			
	Global	●		●	●		●	●	●			
Accounting, Finance, Tax			●				●				●	●
Investor relations, ESG							●					
Personnel & Labor, Human Resources Development		●	●	●	●			●	●			
Legal Affairs, Intellectual Property, Risk Management			●			●		●		●		

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## 【Principle 4.11.2 Concurrent Executive Positions at Other Listed Companies Held by Outside Directors】

Outside directors, outside kansayaku, and other directors and kansayaku should devote sufficient time and effort required to appropriately fulfill their respective roles and responsibilities. Therefore, where directors and kansayaku also serve as directors, kansayaku or the management at other companies, such positions should be limited to a reasonable number and disclosed each year.

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### 1. Concurrent Executive Positions at Other Listed Companies Held by Outside Directors

Outside directors (including members of the Audit and Supervisory Committee) of Nippo serving concurrently as officers of other listed companies are as follows.

	Name	Company Name ・ Position
Outside Director	Yoko Dochi	Outside Director of Rinnai Corporation Outside Company Auditor of Kirin Holdings Company, Limited
Outside Director (members of the Audit and Supervisory Committee)	Tsutomu Umeno	Outside Director of SHIMOJIMA Co., Ltd.
Outside Director (members of the Audit and Supervisory Committee)	Keiko Ikeda	Outside Director of CHUBU-NIPPON BROADCASTING CO., LTD. Outside Corporate Auditor of TOHO GAS Co., Ltd. Outside Director of Kanemi Co., Ltd. (Audit and Supervisory Committee Member)

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## **【Principle 4.11.3 Summary Results of the Evaluation on the Board of Directors】**

Each year the board should analyze and evaluate its effectiveness as a whole, taking into consideration the relevant matters, including the self-evaluations of each director. A summary of the results should be disclosed.

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We conducted a questionnaire pertaining to the four basic elements described below, and used this to analyze and evaluate the overall effectiveness of the board at a board meeting held on May 21, 2024. We reaffirmed to continue working on various measures in light of the evaluation's outcomes so as to further enhance the board's efficacy. We will implement further surveys in future and continue to improve the board's operations.

### **1. Items Studied to Evaluate the Board's Efficacy**

- Composition of the Board of Directors
- Operation of the Board of Directors
- Board of Directors support system
- Others

### **2. Actions to Be Taken in Light of Evaluation Outcomes**

- Ongoing discussion of long-term aims that may help boost corporate value, and of progress toward, and challenges in, achieving the Medium-Term Management Plan
- Ongoing monitoring of actions taken following deliberations by the Board of Directors on important matters
- Ongoing discussion of next-generation management structure

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## **【Principle 4.14.1-2 Director and Audit and Supervisory Committee Member Training】**

1. Directors and kansayaku, including outside directors and outside kansayaku, should be given the opportunity when assuming their position to acquire necessary knowledge on the company's business, finances, organization and other matters, and fully understand the roles and responsibilities, including legal liabilities, expected of them. Incumbent directors should also be given a - 28 - continuing opportunity to renew and update such knowledge as necessary.
  2. Companies should disclose their training policy for directors and kansayaku.
- 

### **1. Policy on Training for Directors and Audit and Supervisory Committee Members**

When directors and Audit and Supervisory Committee members, including outside directors and outside members take up their appointed position, we will provide them opportunities to acquire the necessary knowledge of legal responsibilities required of directors and Audit and Supervisory Committee members, Nippo's Articles of Incorporation and regulations, business, finance, and organization, and to deepen their understanding of corporate governance and listing rules, and will provide ongoing opportunities to update their knowledge thereafter.

## **【Principle 5.1 Policy for Constructive Dialogue with Shareholders】**

Companies should, positively and to the extent reasonable, respond to the requests from shareholders to engage in dialogue (management meetings) so as to support sustainable growth and increase corporate value over the mid- to long-term. The board should establish, approve and disclose policies concerning the measures and organizational structures aimed at promoting constructive dialogue with shareholders.

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### **1. Policy for Constructive Dialogue with Shareholders and Investors**

- We will respond to requests for dialogue from shareholders to the extent and by methods reasonably possible in light of shareholders' wishes and main topics of interests. Such responses shall be undertaken mainly by the director in charge of investor relations and other IR staff.
- The director in charge of investor relations will attend individual meetings, hold financial results briefings, and otherwise endeavor to enhance the company's investor relations activities.
- The director in charge of investor relations will report to the president as appropriate regarding the views and requests of shareholders and investors, and shall refer to the Board of Directors matters pertaining to the amendment of current plans, regulations, and the like that the president deems necessary.
- The director in charge of investor relations shall ensure strict information management in accordance with the Insider Information Management Regulations.