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## Our Initiatives Related to the Corporate Governance Code

The Company seeks enhancement of corporate value over the medium to long terms, based on the NIKKON Holdings Group Basic Philosophy.

**Basic Philosophy:** We will contribute to the prosperity of our customers, shareholders, employees, and society by leading the way in creating common joy, relatable values, and co-existent environment through business logistics based on a global perspective.

To ensure corporate governance functions effectively for the realization of this philosophy, the Company is developing and strengthening the organizational structure and endeavoring to ensure the transparency of corporate activities, and it intends to fulfil its corporate responsibilities to all stakeholders including customers and shareholders and contribute to the development of society.

The status of the Company's efforts and policies toward each principle of the Corporate Governance Code as applied to the Company are as follows.

### Chapter 1: Securing the Rights and Equal Treatment of Shareholders

#### [Basic Principle 1]

**Companies should take appropriate measures to fully secure shareholder rights and develop an environment in which shareholders can exercise their rights appropriately and effectively. In addition, companies should secure effective equal treatment of shareholders. Given their particular sensitivities, adequate consideration should be given to the issues and concerns of minority shareholders and foreign shareholders for the effective exercise of shareholder rights and effective equal treatment of shareholders.**

- (1) The Company's basic policy is to engage constructively with shareholders in order to achieve sustainable growth and enhance corporate value over the medium to long term.
- (2) The Company will comply with relevant laws and regulations such as the Companies Act and the Financial Instruments and Exchange Act, as well as the rules on timely disclosure, etc. established

by the Tokyo Stock Exchange (“Timely Disclosure Rules”), and strive to provide all shareholders with information in a timely, accurate and fair manner.

- (3) The Company also has a policy of disclosing other material information that does not fall under the scope of the Timely Disclosure Rules in an appropriate manner, taking into account the purpose of timely disclosure.
- (4) The Company is also working on disclosures in English, including financial statements, annual securities reports, notices of convocation of general meetings of shareholders, timely disclosures, materials for financial reporting meetings, and the Company website.

**Principle 1.1: Securing the Rights of Shareholders**

**Companies should take appropriate measures to fully secure shareholder rights, including voting rights at the general shareholder meeting.**

- (1) To ensure that the rights and equal treatment of all shareholders are fully secured, the Company deals with the exercise of shareholders’ rights in a lawful and appropriate manner in light of the Companies Act.
- (2) With respect to the exercise of voting rights at the General Meeting of Shareholders, the Company has established various methods, including the exercise of voting rights by attending the meeting in person, in writing, and via the Internet. The Company strives to provide an environment for the smooth exercise of voting rights by actively disclosing information and explaining how to exercise voting rights through its website and other means.

**[Supplementary Principle 1.1.1]**

**When the board recognizes that a considerable number of votes have been cast against a proposal by the company and the proposal was approved, it should analyze the reasons behind opposing votes and why many shareholders opposed, and should consider the need for shareholder dialogue and other measures.**

- (1) In order to understand the opinions of shareholders and appropriately incorporate them into management, when there is a Company-proposed agenda item for which a significant number of votes are cast against, the Company will analyze the reasons and causes of opposition, discuss them at a meeting of the Board of Directors, and consider dialogue with shareholders and necessary actions.

**[Supplementary Principle 1.1.2]**

**When proposing to shareholders that certain powers of the general shareholder meeting be delegated to the board, companies should consider whether the board is adequately constituted to fulfill its corporate governance roles and responsibilities. If a company determines that the board is indeed adequately constituted, then it should recognize that such delegation may be desirable from the perspectives of agile decision-making and expertise in business judgment.**

- (1) The Company's Board of Directors consists of internal directors with expertise in sales, finance and accounting, risk management, and other areas, as well as independent outside directors who make up the majority of the Board of Directors and are fully capable of fulfilling their roles and responsibilities.
- (2) In addition, the Company has established systems to ensure the supervisory function of directors' execution of duties, such as the Audit & Supervisory Committee, the Remuneration Committee, and the Nomination Committee.
- (3) The Articles of Incorporation stipulate that, in order to ensure agile decision-making by management, certain matters which would otherwise be resolved by the General Meeting of Shareholders may be resolved by the Board of Directors, which is composed of individual directors with specialized knowledge. Those matters include the acquisition of treasury stock (pursuant to the provisions of Article 165, Paragraph 2 of the Companies Act), and the distribution of surplus (pursuant to the provisions of Article 459, Paragraph 1 of the Companies Act).
- (4) The Company strives to fully explain its approach to capital policy, including the distribution of surplus, in the Medium-term Business Plan and in explanations of financial results.

**[Supplementary Principle 1.1.3]**

**Given the importance of shareholder rights, companies should ensure that the exercise of shareholder rights is not impeded. In particular, adequate consideration should be given to the special rights that are recognized for minority shareholders with respect to companies and their officers, including the right to seek an injunction against illegal activities or the right to file a shareholder lawsuit, since the exercise of these rights tend to be prone to issues and concerns.**

- (1) The Company is committed to protecting the rights of its shareholders and facilitating the exercise of those rights, as well as ensuring substantial equality for all shareholders.
- (2) With regard to procedures for minority shareholders to exercise their rights recognized under the Companies Act, such as requesting access to the shareholder registry and minutes of board of directors meetings, making shareholder proposals at general shareholders' meetings, enjoining illegal actions by directors, and filing shareholder derivative suits, the Company has established procedures for exercising such rights in its share handling rules, our internal regulations, to ensure that the exercise of such rights is carried out smoothly.

**[Principle 1.2: Exercise of Shareholder Rights at General Shareholder Meetings]**

**Companies should recognize that general shareholder meetings are an opportunity for constructive dialogue with shareholders, and should therefore adopt the viewpoint of shareholders and take appropriate measures to ensure the exercise of shareholder rights at such meetings.**

- (1) The General Meeting of Shareholders is the highest decision-making body of the Company, and the Company strives to create an environment that facilitates the smooth exercise of rights that appropriately reflect the will of shareholders.

(2) In consideration of constructive dialogue with shareholders and the provision of sufficient information for that purpose, the Company sends out the notice of convocation of the General Meeting of Shareholders early and discloses information on the Company's website so that more shareholders can exercise their voting rights. For shareholders who are unable to attend the meeting, in addition to exercising their voting rights via the voting form, we have created an environment that allows shareholders to exercise their voting rights via the Internet.

**[Supplementary Principle 1.2.1]**

**Companies should provide accurate information to shareholders as necessary in order to facilitate appropriate decision-making at general shareholder meetings.**

- (1) In order to enable shareholders to make appropriate decisions at the General Meeting of Shareholders, the Company is striving to provide information that is easier to understand by using numerical data, graphs, photographs, etc., in order to enhance the content of the notice of convocation and the Company website.
- (2) On its website, the Company endeavors to expand the content of its annual securities report, financial statements, and financial reporting materials, and promptly and appropriately post financial and non-financial information, including news releases of necessary information and information related to sustainability, to provide information that enables shareholders to make appropriate decisions at the General Meeting of Shareholders.

**[Supplementary Principle 1.2.2]**

**While ensuring the accuracy of content, companies should strive to send convening notices for general shareholder meetings early enough to give shareholders sufficient time to consider the agenda. During the period between the board approval of convening the general shareholder meeting and sending the convening notice, information included in the convening notice should be disclosed by electronic means such as through TDnet or on the company's website.**

- (1) The Company endeavors to send the convocation notice at least one week prior to the statutory date (three weeks prior to the date of the General Meeting of Shareholders) in order to ensure that shareholders have sufficient time to consider the agenda, while also taking care to ensure that the external accounting auditors have adequate time to conduct an appropriate audit.
- (2) In addition, information to be published electronically on the Company website under the convocation notice and the web disclosure system is disclosed on the Company website and on the Tokyo Stock Exchange (TDnet) by the day before the convocation notice is sent.

**[Supplementary Principle 1.2.3]**

**The determination of the date of the general shareholder meeting and any associated dates should be made in consideration of facilitating sufficient constructive dialogue with shareholders and ensuring the accuracy of information necessary for such dialogue.**

- (1) The Company recognizes that the General Meeting of Shareholders is an important forum for constructive dialogue with shareholders. In addition, the Company sets the date of the General Meeting of Shareholders and related dates, paying attention to ensuring sufficient time for proper financial reporting and high-quality external accounting audits.
- (2) In addition, to ensure that shareholders have sufficient time to consider general meeting proposals, the Company sends out notices of convocation earlier and discloses information on its website.

**[Supplementary Principle 1.2.4]**

**Bearing in mind the number of institutional and foreign shareholders, companies should take steps for the creation of an infrastructure allowing electronic voting, including the use of the Electronic Voting Platform, and the provision of English translations of the convening notices of general shareholder meeting.**

**In particular, companies listed on the Prime Market should make the Electronic Voting Platform available, at least to institutional investors.**

- (1) In consideration of the exercise of voting rights by institutional investors and overseas investors, the Company has made it possible to exercise voting rights via the Internet or by participating in an electronic voting platform.
- (2) In consideration of the Company's shareholder composition, the English translation of the convocation notice is also published on the Company's website as part of efforts to create an environment that facilitates the exercise of voting rights by overseas institutional investors.

**[Supplementary Principle 1.2.5]**

**In order to prepare for cases where institutional investors who hold shares in street name express an interest in advance of the general shareholder meeting in attending the general shareholder meeting or exercising voting rights, companies should work with the trust bank and/or custodial institutions to consider such possibility.**

- (1) The Company participates in a voting platform to enable institutional investors, etc. holding shares in the name of trust banks, etc. to exercise their voting rights on their own.
- (2) In the event of an offer from an institutional investor that does not participate in such platform, it is our policy to accommodate the request upon consultation with the trust bank, etc. that is the nominee.
- (3) As a general rule, institutional investors and other beneficial shareholders who hold shares in the name of trust banks, etc., are not permitted to attend the general meeting of shareholders, exercise their voting rights or ask questions on the spot. However, as a result of discussions and examinations with trust banks, etc., admission to and attendance at the general meeting of shareholders are permitted if an offer to attend the meeting is made through a shareholder on the shareholders' register.

**[Supplementary 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.**

- (1) The Company's capital policy is set forth in its Medium-term Business Plan, which is disclosed on the Company website and the Tokyo Stock Exchange (TDnet).
- (2) In addition, the Three-Year Plan, which started in April 2023, indicates the basic policies for profit planning and capital policy, and discloses a 10% operating margin and 8% return on equity (ROE) as its financial index policies. With regard its shareholder return policy, the Company has revised its policy of maintaining a dividend payout ratio of 40% or more, while maintaining a progressive dividend payout ratio based on the basic policy of maintaining or increasing the annual dividend without, in principle, reducing the annual dividend from the previous year's actual dividend. Under the new policy starting from the fiscal year ending March 31, 2026, the Company will target a dividend on equity (DOE) of 4% or higher.
- (3) In addition, on May 10, 2024, the Company announced "Measures to Achieve Management Conscious of Cost of Capital and Stock Price," aiming to secure ROE in excess of cost of capital and ROIC in excess of WACC levels, with consideration toward an appropriate balance between debt and equity, improving balance sheet efficiency, enhancing investment returns and achieving a PBR of 1 or higher.

**[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.**

- (1) Policy for cross-shareholdings

The Company believes that long-term partnerships are essential for the stable continuation of the logistics business. The Company has a basic policy of holding shares of other companies as cross-shareholdings if they will help enhance its corporate value through stronger mutual cooperation including the maintenance and strengthening of business alliances and transactions.

- (2) Verifying the appropriateness of cross-shareholdings

The Board of Directors will annually review cross-shareholdings from the perspective of risks and the cost of capital associated with shareholdings, and will reduce cross-shareholdings that no longer meet the aforementioned objectives in a timely and appropriate manner.

Among these cross-shareholdings, the shares held in Honda Motor Co., Ltd. have provided transportation, storage, processing, and other services for many years since the Company's

establishment, and have become an extremely important business partner that forms the foundation of the Company, including the testing business and international operations, and continue to contribute to the Company's growth and the building of corporate value.

As of March 31, 2025, the number of cross-shareholdings maintained by the Company and its subsidiaries was 38, down 3 from 41 during the year. The market value of these cross-shareholdings is 23.7 billion yen, which is 9.5% of the Company's total consolidated net assets.

(3) Standards for the exercise of voting rights related to cross-shareholdings

Taking into account the significance of holding listed shares, the Company exercises its voting rights based on whether a proposal will contribute to sustainable growth and improvement of corporate value in the medium to long terms for both the Company and the investee company and based on consideration of other factors such as the status of compliance, including corporate fraud, and the status of ESG initiatives. The Company pays particular attention in cases where, for example, there is serious concern in relation to corporate governance, business performance has been poor for a long time, damaging shareholder value or shareholder value could otherwise be seriously damaged, and the Company makes a judgments through careful consideration on a case-by-case basis. The Company also has a system of monitoring the status of exercise of voting rights.

**[Supplementary Principle 1.4.1]**

**When cross-shareholders (i.e., shareholders who hold a company's shares for the purpose of cross-shareholding) indicate their intention to sell their shares, companies should not hinder the sale of the cross-held shares by, for instance, implying a possible reduction of business transactions.**

(1) If an owner of the Company's shares in a cross-shareholding relationship expresses its intention to sell the said shares, the Company will take no action seeking to interfere with the intended sale of the shares, by means such as indicating the possibility of reducing transactions with the shareholder, or otherwise.

**[Supplementary Principle 1.4.2]**

**Companies should not engage in transactions with cross-shareholders which may harm the interests of the companies or the common interests of their shareholders by, for instance, continuing the transactions without carefully examining the underlying economic rationale.**

(1) Regardless of whether the counterparty is a cross-shareholder or not, the Company fully examines economic rationale underlying its transactions and does not engage in transactions that are detrimental to the company or the common interests of shareholders.

**[Principle 1.5: So-called Anti-Takeover Measures]**

**Anti-takeover measures must not have any objective associated with entrenchment of the management or the board. With respect to the adoption or implementation of anti-takeover measures, the board and corporate auditors should carefully examine their necessity and rationale in light of their fiduciary responsibility to shareholders, ensure appropriate procedures, and provide sufficient explanations to shareholders.**

- (1) There are no plans to introduce anti-takeover measures at this time.

**[Principle 1.5 .1]**

**In case of a tender offer, companies should clearly explain the position of the board, including any counteroffers, and should not take measures that would frustrate shareholder rights to sell their shares in response to the tender offer.**

- (1) If a tender offer is made for the Company's shares, as the composition of shareholders may change and the cooperative interests of existing shareholders may be affected, the Company will promptly disclose a statement of opinion by the Board of Directors, in order to provide shareholders with information to help them decide on whether to respond to the offer.
- (2) In doing so, the Company will respect the rights of shareholders and will not prevent shareholders from accepting the tender offer.

**Principle 1.6: Capital Policy that May Harm Shareholder Interests**

**With respect to a company's capital policy that results in the change of control or in significant dilution, including share offerings and management buyouts, the board and corporate auditors should, in order not to unfairly harm the existing shareholders' interests, carefully examine the necessity and rationale from the perspective of their fiduciary responsibility to shareholders, should ensure appropriate procedures, and provide sufficient explanation to shareholders.**

- (1) When adopting a capital policy that would result in a change in control or major dilution, the Board of Directors will thoroughly consider the necessity and rationality of the policy, ensure that the proper procedures are followed in light of relevant laws and regulations, and provide sufficient explanation of the background and purpose so that shareholders can understand the policy.

**[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.**

- (1) The Company stipulates in its Board of Directors' Regulations with respect to resolutions on related party transactions including competing transactions involving directors that officers involved in the transaction shall be considered to have a special interest in the resolution and shall be excluded from the quorum required to pass the resolution. Approval for a matter which might pose a conflict of interests i.e. the implementation of a transaction with a corporation essentially controlled by an officer of the Company or a major shareholder as the Company's customer shall be based on a resolution by the Board of Directors to ensure that the Company is not disadvantaged.
- (2) Details of transaction terms and conditions and the policy for determining transaction terms and conditions are disclosed in the Notice of the Annual General Meeting of Shareholders, the Annual Securities Report, and other disclosures.

## **Chapter 2: Appropriate Cooperation with Stakeholders Other Than Shareholders**

### **[Basic Principle 2]**

**Companies should fully recognize that their sustainable growth and the creation of mid- to long-term corporate value are brought about as a result of the provision of resources and contributions made by a range of stakeholders, including employees, customers, business partners, creditors and local communities. As such, companies should endeavor to appropriately cooperate with these stakeholders.**

**The board and the management should exercise their leadership in establishing a corporate culture where the rights and positions of stakeholders are respected and sound business ethics are ensured.**

- (1) The Company is committed to working together with its shareholders and all other stakeholders to achieve sustainable growth and enhance its corporate value over the medium to long term. In order to promote our contributions to society through our logistics business activities, we will fulfill our corporate responsibilities and contribute to the development of society through sound business activities.
- (2) We have established a basic philosophy and action guidelines, and are pursuing what we can do as a logistics company and what we can unique perform as a company. We united as a group in our business activities, which aim to make regional economies more vibrant.

### **Principle 2.1: Business Principles as the Foundation of Corporate Value Creation Over the Mid- to Long-Term**

**Guided by their position concerning social responsibility, companies should undertake their businesses in order to create value for all stakeholders while increasing corporate value over the mid- to long-term. To this end, companies should draft and maintain business principles that will become the basis for such activities.**

- (1) In order to embody our basic philosophy, we have established a basic philosophy and action guidelines, which are published on our website and other media.
- (2) Our Basic Philosophy: We will contribute to the prosperity of our customers, shareholders, employees, and society by leading the way in creating common joy, relatable values, and co-existent environment through business logistics based on a global perspective.

**Principle 2-2: Formulating and Implementing a Corporate Code of Conduct**

**Companies should draft and implement a code of conduct for employees in order to express their values with respect to appropriate cooperation with and serving the interests of stakeholders and carrying out sound and ethical business activities. The board should be responsible for drafting and revising the code of conduct, and should ensure its compliance broadly across the organization, including the front line of domestic and global operations.**

- (1) We have established the “Nikon Holdings Group Code of Conduct” to foster a corporate culture and climate that respects the rights and positions of various stakeholders and sound business ethics, to be practiced by all employees together.
- (2) Nikon Holdings Group Code of Conduct
  - (a) We will aim to achieve zero incidents and occupational accidents based on the principle that safety takes precedence over everything else.
  - (b) We will comply with laws, regulations, social rules and internal regulations, engaging in corporate activities with the aim of earning the trust of society.
  - (c) We will actively tackle environmental issues with the aim of becoming a company that benefits the global environment.
  - (d) We will positively and fairly disclose corporate information to shareholders, customers and local communities.
  - (e) We will make every effort to appropriately manage and protect personal information and the information of customers.
  - (f) We will endeavor to provide services that are beneficial to society and make social contributions.
  - (g) We will engage in fair, transparent and free competition, aiming to be a company in which employees and their families take pride.
  - (h) We will take a resolute stance against antisocial forces and groups that threaten the order and safety of society.
  - (i) When circumstances that violate the principles of this code occur, we will take swift and strict action to resolve the issue and make every effort to prevent recurrences.

**[Supplementary Principle 2.2.1]**

**The board should review regularly (or where appropriate) whether or not the code of conduct is being widely implemented. The review should focus on the substantive assessment of whether the company's corporate culture truly embraces the intent and spirit of the code of conduct, and not solely on the form of implementation and compliance.**

- (1) The Board of Directors regularly receives reports from relevant internal committees, such as the Compliance Promotion Committee and the Sustainability Committee, on the status of implementation of the Code of Conduct, including the nine items specified in the “Nikon Holdings Group Code of Conduct” and other guidelines and policies related to compliance and the environment. This enables guidance and supervision, and establishes a system to ensure that the Code is put into practice across the organization and among all employees.
- (2) In addition, the Basic Philosophy and Code of Conduct established by the Company are repeatedly communicated and reinforced through employee training sessions and other activities from when employees join the Company. The president and other members of the management team directly seek information and review the plans to ensure that all employees are fully aware of them.

**[Principle 2.3: Sustainability Issues, Including Social and Environmental Matters]**

**Companies should take appropriate measures to address sustainability issues, including social and environmental matters.**

- (1) To contribute to the realization of a sustainable society, we have formulated our Sustainability Policy (E-Environment, S-Society, G-Governance), which outlines our aspirations based on the demands of society and shareholders. Each Group company is working on measures to achieve these goals.
- (2) The Sustainability Committee, established by the Company as an advisory body to the Board of Directors on sustainability, will engage in multifaceted discussions at the Board of Directors level on topics of high importance, and will work to enhance long-term corporate value.
- (3) In addition, the Sustainability Committee provides appropriate guidance and monitoring from a management perspective, ensuring that the ESG Promotion Office, which is the unit responsible for the execution of ESG activities, works with the Company's Corporate Planning Department, Legal Affairs Department, Accounting Department, and Group Administration Department as well as Group companies to identify themes to be addressed through business activities and material issues, while driving the active implementation of concrete initiatives to bring about improvement in areas such as action on climate change and action on human rights.

**[Supplementary Principle 2.3.1]**

**The board should recognize that dealing with sustainability issues, such as taking care of climate change and other global environmental issues, respect of human rights, fair and appropriate treatment of the workforce including caring for their health and working environment, fair and reasonable transactions with suppliers, and crisis management for natural disasters, are important management issues that can lead to earning opportunities as well as risk mitigation, and should further consider addressing these matters positively and proactively in terms of increasing corporate value over the mid- to long-term.**

- (1) The NIKKON Holdings Group views sustainability as contributing to the nation, local communities and society through logistics services. In keeping with this belief, we aim to achieve sustainable growth for the future by working with shareholders, customers, affiliates, employees and other stakeholders to maximize two values: corporate value, such as the expansion of our business base and sustainable growth of the Group, and social value, such as national and regional development, human rights, and environmental considerations.
- (2) In order to appropriately address issues surrounding sustainability as the most important management theme, we have established and are working on four material sustainability issues: “improving safety and quality,” “promoting diversity,” “addressing climate change,” and “strengthening compliance.” We disclose specific targets linked with these challenges on our website and in other media.

**[Supplementary Principle 2.4: Ensuring Diversity, Including Active Participation of Women]**

**Companies should recognize that the existence of diverse perspectives and values reflecting a variety of experiences, skills and characteristics is a strength that supports their sustainable growth. As such, companies should promote diversity of personnel, including the active participation of women.**

- (1) The Company is committed to providing a workplace environment where diverse human resources, including female employees, non-Japanese employees, and employees with disabilities, can thrive and play an active role in the future, and to helping employees achieve a healthy work-life balance.
- (2) To promote the advancement of women, the Company is developing support systems for balancing work and family life, including childcare and nursing care. In particular, with regard to support for balancing work and childcare, in addition to childcare leave and shorter working hours, we established an in-house nursery in April 2014 to promote the employment of female crew members who are active in transportation operations.

**[Supplementary Principle 2.4.1]**

**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.**

- (1) The Company has a policy to actively employing women, foreign nationals and mid-career professionals as much as possible to ensure the diversity of human resources within the company and to create the vitality that comes from diversity. The Company aims to achieve the use and exchange of human resources and gender equality through diverse work styles and aims to be a company whose employees enjoy and take pride in their work.
- (2) In initiatives for the empowerment of women, the Company is promoting the active participation of women by formulating career plans and providing in-house training and, under its Medium-Term Business Plan, has set a target of increasing the percentage of all employees that are women to 26.5% and the percentage of all managers that are women to 13.2%.
- (3) Regarding the hiring of foreign nationals, the Company strives to secure talent regardless of nationality. The Company has hosted more than 200 technical intern trainees to date. After around three years of practical training consisting mainly of warehouse operations, the Company has trainees use the skills they acquired in their home countries, with some being hired by the Company's overseas subsidiaries. Even after the law has been amended to change the system of training and employment, we will continue to promote the employment and activities of foreign nationals to fulfill the purpose of the program. However, despite the high demand for drivers, the Company has not yet hired foreign nationals as drivers because of the difficulties involved in terms of working visas and various regulations.
- (4) As for mid-career hires, the Company is always striving to secure work-ready professionals, and mid-career hires and graduate hires are also treated equally when it comes to promotions, transfers, appointments, etc. In fact, the percentages of graduate hires and mid-career hires in management positions are roughly the same, and the Company plans to maintain the percentage of mid-career hires in management positions at the same level going forward.
- (5) In terms of policies for human resource development and internal environment development to ensure diversity, the Company is committed to developing a work environment in which its employees remain highly motivated and experience job satisfaction, amid the labor shortage surrounding the industry and the increasing diversification of values regarding work styles. In FY2021, the Company introduced an employment extension system, extending employment to the age of 65 and providing support to enable individual employees to continue working on a new career path.

### **Principle 2.5: Whistleblowing**

**Companies should establish an appropriate framework for whistleblowing such that employees can report illegal or inappropriate behavior, disclosures, or any other serious concerns without fear of suffering from disadvantageous treatment, and to enabling objective assessments and appropriate responses to the reported issues. The board should be responsible for both establishing this framework, and ensuring and monitoring its enforcement.**

- (1) The Company has introduced an internal reporting system (hotline) and has established an internal reporting desk within the Compliance Promotion Committee.
- (2) The Board of Directors receives reports on a regular basis regarding the number and content of reports made to the hotline and supervises operations to handle them.

### **[Supplementary Principle 2.5.1]**

**As a part of establishing a framework for whistleblowing, companies should establish a point of contact that is independent of the management (for example, a panel consisting of outside directors and outside corporate auditors). In addition, rules should be established to secure the confidentiality of the information provider and prohibit any disadvantageous treatment.**

- (1) Each Group company has set up a dedicated compliance-related reporting desk, where reports can be made anonymously by mail or e-mail.
- (2) NIKKON Holdings Co., Ltd., the parent company, also has a dedicated contact point (compliance hotline) independent of the management of each operating company, which allows anonymous reporting.
- (3) Internal rules on whistle-blowing stipulate that the whistleblower and the content of the report shall be kept strictly confidential, and that the reporting desk shall take necessary measures to prevent identification of the whistleblower when conducting its investigation. The rules also establish mechanisms ensuring that whistleblowers are shielded from disadvantageous treatment for having made such reports.

### **[Principle 2.6]**

**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.**

- (1) Since the contract-type corporate pension plans used by the Company's main domestic subsidiaries aim to manage corporate pension funds properly, specialists determine the policy of managing pension assets and manage and monitor investment.

- (2) Regarding the management of pension assets, guidelines for safe and efficient asset management are established and pension assets are managed properly.
- (3) Reports on asset management status and stewardship activities are received periodically from asset management organizations entrusted with asset management to ensure that no conflicts of interests arise between the corporate pension beneficiaries and the companies.
- (4) NIPPON KONPO UNYU SOKO CO., LTD., a core company in the NIKKON Holdings Group, and some other Group companies have established defined contribution pension plans, the applicable parts of which have no impact on financial standing. Efforts are made to educate employees about the defined contribution pension plans through the provision of product performance data and reports and the organization of in-house seminars.

### **Chapter 3: Ensuring appropriate information disclosure and transparency**

#### **[Basic Principle 3]**

**Companies should appropriately make information disclosure in compliance with the relevant laws and regulations, but should also strive to actively provide information beyond that required by law. This includes both financial information, such as financial standing and operating results, and non-financial information, such as business strategies and business issues, risk and governance. The board should recognize that disclosed information will serve as the basis for constructive dialogue with shareholders, and therefore ensure that such information, particularly non-financial information, is accurate, clear and useful.**

- (1) For the purpose of sustainable growth and enhancement of corporate value over the medium to long term, the Company's basic policy is to engage in constructive dialogue with shareholders and other stakeholders. Appropriate information disclosure is one of the Company's important management responsibilities, and it is committed to providing easy-to-understand explanations on an ongoing basis.
- (2) In addition to information required to be disclosed by the Companies Act, Financial Instruments and Exchange Act, and other laws and regulations, the Company discloses information (including non-financial information) that is deemed important to its stakeholders on its website and through the TSE (via TDnet).
- (3) The Company is working to improve the content and manner of information disclosure to ensure that it is accurate, easy to understand, and highly useful for users.

**[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:**

- (i) Company objectives (e.g., business principles), business strategies and business plans;**
- (ii) Basic views and guidelines on corporate governance based on each of the principles of the (draft) Code;**
- (iii) Board policies and procedures in determining the remuneration of the senior management and directors;**
- (iv) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of directors and corporate auditor candidates; and**
- (v) Explanations with respect to the individual appointments/dismissals and nominations based on iv).**

(1) The Company will strive to ensure that shareholders and other stakeholders are provided with specific and transparent information.

- (i) Information about the Company's aims and management strategies, etc. are disclosed on the Company's website.

Basic Principles: <https://www.nikkon-hd.co.jp/about/philosophy/>

Medium-Term Management Plan: [https://www.nikkon-hd.co.jp/ir/management\\_plan/](https://www.nikkon-hd.co.jp/ir/management_plan/)

Financial Results Meeting Materials: <https://www.nikkon-hd.co.jp/ir/library/presentation/>

Business Report: [https://www.nikkon-hd.co.jp/ir/library/report\\_business/](https://www.nikkon-hd.co.jp/ir/library/report_business/)

- (ii) Information about corporate governance is disclosed on the Company's website.

Basic Approach to Corporate Governance: <https://www.nikkon-hd.co.jp/ir/governance/guidelines/>

- (iii) Board policies and procedures in determining the remuneration of the senior management and directors

The Company has established a voluntary Remuneration Committee as an advisory body to the Board of Directors, to ensure transparency and fairness in the process of making decisions on officers' remuneration. The Remuneration Committee is chaired by an outside director and deliberates and makes proposals to the Board of Directors on remuneration levels for directors and executive officers and various systems related to evaluation and remuneration. Remuneration for directors is determined within a maximum amount of remuneration resolved at the Company's Annual General Meeting of Shareholders. In addition, remuneration for directors is determined by the Board of Directors based on the opinion of the Remuneration Committee, which is chaired by an outside director.

- (iv) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of directors and corporate auditor candidates

The Company has established a voluntary Nomination Committee as an advisory body to the Board of Directors, to ensure transparency and fairness in the process of making decisions on

the nomination of director candidates. The Nomination Committee is chaired by an outside director and, in addition to deliberating on and proposing criteria and methods for appointing candidates, the committee deliberates on proposals for the appointment of candidates and reports the results of its deliberations to the Board of Directors.

When nominating candidates, the Company selects individuals who, in light of their skills, career and evaluation results, are suitably qualified to be Directors of the Company, and proposals are discussed by the Nomination Committee and decisions are made by the Board of Directors based on extensive deliberation.

The independence of outside directors is determined in accordance with the Company's criteria for judging independence of outside officers, and the Company believe that its outside directors are independent as they have no special personal relationship or capital relationship with the Company nor any other interest in it.

Regarding the dismissal of directors, etc., if upon comprehensive consideration of a wide range of factors including aptitude, management ability and any serious misconduct, a director's execution of duties is deemed unsatisfactory, the Board of Directors refers the matter to the voluntary Nomination Committee for discussion and then the Board of Directors makes a decision based on the report of the Nomination Committee.

- (v) Explanations with respect to the individual appointments/dismissals and nominations

The reasons for appointment of all director candidates, including outside director candidates, or the dismissal of directors are disclosed in the Notice of the Annual General Meeting of Shareholders.

**[Supplementary Principle 3.1.1]**

**These disclosures, including disclosures in compliance with relevant laws and regulations, should add value for investors, and the board should ensure that information is not boiler-plate or lacking in detail.**

- (1) The Company recognizes that disclosure of information (including disclosure in accordance with laws and regulations) is one of its important management responsibilities, and strives to provide plain and specific information for disclosure to ensure that its shareholders and other stakeholders are provided with accurate information.

**[Supplementary Principle 3.1.2]**

**Bearing in mind the number of foreign shareholders, companies should, to the extent reasonable, take steps for providing English language disclosures.**

- (1) In consideration of the ratio of overseas investors, etc., the Company has created an English version of its website to disclose and provide IR information (Notice of Convocation of the Ordinary General Meeting of Shareholders, financial statements, annual securities reports, timely disclosure, financial results briefing materials, etc.) and sustainability-related information in English.

**[Supplementary Principle 3.1.3]**

**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.**

**In particular, companies listed on the Prime Market should collect and analyze the necessary data on the impact of climate change-related risks and earning opportunities on their business activities and profits, and enhance the quality and quantity of disclosure based on the TCFD recommendations, which are an internationally well-established disclosure framework, or an equivalent framework.**

- (1) The Company sees the realization of a sustainable society as a top priority and is working to collaborate with a wide range of stakeholders, actively disclose information and improve transparency. See the Company's website for information about our views, policies and initiatives for sustainability. (<https://www.nikkon-hd.co.jp/sustainability/>)
- (2) The Company has established a Sustainability Committee chaired by an outside director as an advisory body to the Board of Directors, and monitors the status of execution of ESG activities. The Company hold multi-faceted discussions on important themes at a Board of Directors level, striving for enhancement of corporate value in the long term. In addition, the ESG Promotion Office, which is the unit responsible for the execution of ESG activities, works with the Company's Corporate Planning Department, Legal Affairs Department, Accounting Department, and Group Administration Department as well as Group companies to identify themes to be addressed through business activities and material issues, and guides and monitors from a management perspective the active implementation of concrete initiatives to bring about improvement in areas such as action on climate change and action on human rights.
- (3) Regarding ESG-related controls, targets and progress, ESG data is disclosed on the Company's website. Meanwhile, in terms of investment in human capital, the Company established the HR Supervisory Department in January 2023, and is focusing on securing human resources and strengthening training and development as a key strategy under the Medium-term Business Plan.  
<Information disclosure regarding climate change>  
Information disclosure based on the TCFD recommendations:  
[https://www.nikkon-hd.co.jp/assets/images/sustainability/management/tcfd\\_disclosure.pdf](https://www.nikkon-hd.co.jp/assets/images/sustainability/management/tcfd_disclosure.pdf)  
Sustainability management: <https://www.nikkon-hd.co.jp/sustainability/management/>  
ESG data: <https://www.nikkon-hd.co.jp/sustainability/esg/>  
<Disclosure of information on human capital>  
Safety & Quality initiatives: <https://www.nikkon-hd.co.jp/sustainability/safety/>  
Initiatives taken together with employees: <https://www.nikkon-hd.co.jp/sustainability/employee/>

**Principle 3.2: External Auditors**

**External auditors and companies should recognize the responsibility that external auditors owe toward shareholders and investors, and take appropriate steps to secure the proper execution of audits.**

- (1) The external accounting auditor and the Company, in cooperation with the Audit & Supervisory Committee and related departments such as the accounting department, work to ensure an audit system that includes setting an audit schedule and conducting interviews with management to enable the external accounting auditor to conduct a sufficient audit, and take measures to ensure that the audit is conducted appropriately.
- (2) The Audit & Supervisory Committee, the Group Audit Office, and the auditors, in performing their respective audit duties in their respective capacities, exchange information in an interactive manner from the perspective of mutual complementation and efficiency of audits, thereby enhancing audit effectiveness.

**[Supplementary Principle 3.2.1]**

**The Audit & Supervisory Board should, at minimum, ensure the following:**

- (i) **Establish standards for the appropriate selection of external auditor candidates and proper evaluation of external auditors; and**
- (ii) **Verify whether external auditors possess necessary independence and expertise to fulfill their responsibilities.**

  

- (i) External accounting auditors are selected by evaluating their overall strength in terms of their track record of being commissioned by major Japanese companies, their quality in accordance with international standards, and their independence. The external accounting auditors are evaluated with reference to the “Practical Guidelines for Corporate Auditors on the Evaluation of Accounting Auditors and the Establishment of Selection Criteria” published by the Accounting Committee of the Japan Corporate Auditors Association. The Company confirms the status of the external accounting auditor’s performance through periodic information exchanges with the external accounting auditor.
- (ii) The Audit & Supervisory Committee evaluates and confirms the independence and professionalism of the external accounting auditors, including their interests under the Certified Public Accountants Act, through exchanges of opinions and audit implementation status. The Company has confirmed that its current external accounting auditor, KPMG AZSA LLC, has no problems in terms of independence or expertise.

**[Supplementary Principle 3.2.2]**

**The board and the Audit & Supervisory Board should, at minimum, ensure the following:**

- (i) Give adequate time to ensure high quality audits;**
- (ii) Ensure that external auditors have access, such as via interviews, to the senior management including the CEO and the CFO;**
- (iii) Ensure adequate coordination between external accounting auditors and each of the Audit & Supervisor Board members (including attendance at the Audit & Supervisory Board meetings), the internal audit department and outside directors; and**
- (iv) Ensure that the company is constituted in the way that it can adequately respond to any misconduct, inadequacies or concerns identified by the external auditors.**

- (i) The Company holds prior discussions with the external accounting auditor, receives explanations of the audit plan, and confirms that sufficient audit time has been secured.
- (ii) At the request of the external accounting auditors, the Company conducts interviews with the representative director and other senior members of management, including directors.
- (iii) The external accounting auditor reports audit results to the Audit & Supervisory Committee on a quarterly basis, and provides information required by the external accounting auditor, such as the status of business execution, in cooperation with the Internal Audit Department as necessary. In addition, accounting audit reports are shared with outside directors.
- (iv) In the event that the external accounting auditor discovers irregularities and requests an appropriate response or points out deficiencies or problems, the system is designed so that each director in charge, under the direction of the representative director, takes the lead in investigating and correcting the situation and reports the results. Based on the contents of the reports, the Board of Directors and related departments share information and take appropriate actions in cooperation with each other.

## Chapter 4: Responsibilities of the Board

### [Basic Principle 4]

**Given its fiduciary responsibility and accountability to shareholders, to promote sustainable corporate growth and the increase of corporate value over the mid- to long-term and enhance earnings power and capital efficiency, the board should appropriately fulfill its roles and responsibilities, including:**

- (1) **Setting the broad direction of corporate strategy;**
- (2) **Establishing an environment where appropriate risk-taking by the senior management is supported; and**
- (3) **Carrying out effective oversight of directors and the management (including executive officers and so-called operating officers) from an independent and objective standpoint.**

**Such roles and responsibilities should be equally and appropriately fulfilled regardless of the form of corporate organization – i.e., Company with an Audit & Supervisory Board (where a part of these roles and responsibilities are performed by Audit & Supervisory Board members and the Audit & Supervisory Board), Company with Three Committees (Nomination, Audit and Remuneration) or Company with Supervisory Committee.**

- (1) The Company's Board of Directors determines major directions such as corporate strategy, including the formulation of its management philosophy and medium-term business plan.
- (2) The Company has introduced an executive officer system to separate the management decision-making and supervisory structure from the business execution structure, and to establish an efficient management and execution structure.
- (3) The Board of Directors is the highest decision-making body that deliberates on and resolves basic policies and the most important matters related to the management of the Group, and ensures management transparency by deliberating important matters from the executive bodies and supervising the execution of operations through regular reports. In addition, six independent outside directors have been appointed, creating a highly effective supervisory system for the Board of Directors and a highly independent audit system.

### [Principle 4.1: Roles and Responsibilities of the Board (1)]

**The board should view the establishment of corporate goals (business principles, etc.) and the setting of a strategic direction as one major aspect of its roles and responsibilities. It should engage in constructive discussion with respect to specific business strategies and business plans, and ensure that major operational decisions are based on the company's strategic direction.**

- (1) The Company's Board of Directors formulates basic policies such as management strategies and management plans based on the management philosophy, and discusses issues to be addressed through exchanges of opinions and discussions with outside directors.
- (2) The Board of Directors receives monthly reports from executive officers on the status of business execution of their assigned duties and management issues, and supervises the management

situation. The Board of Directors engages in active and constructive discussions on reports from these executive officers and makes decisions based on management principles and strategies when deciding on important business operations.

**[Supplementary Principle 4.1.1]**

**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.**

- (1) The Board of Directors deliberates on and resolves basic policies and matters of utmost importance for Group management. In addition to the provisions of laws and regulations and the Articles of Incorporation, the Company establishes Board of Directors' Regulations stipulating management policies, management plans, financial results-related matters, shares and shareholders' meeting-related matters and important decisions related to directors, organizations and personnel affairs as matters to be resolved by the Board of Directors.
- (2) The Board of Directors also periodically receives reports from each executive director on the execution of their duties and reports from its various committees and supervises the execution of duties.
- (3) The decision-making process (decision-making authority) for matters delegated by the Board of Directors is stipulated in the Ringi System Regulations.

**[Supplementary Principle 4.1.2]**

**Recognizing that a mid-term business plan is a commitment to shareholders, the board and the senior management should do their best to achieve the plan. Should the company fail to deliver on its mid-term business plan, the reasons underlying the failure of achievement as well as the company's actions should be fully analyzed, an appropriate explanation should be given to shareholders, and analytic findings should be reflected in a plan for the ensuing years.**

- (1) The Company recognizes that the realization of the Medium-term Business Plan is one of its most important commitments to its shareholders.
- (2) The Group has formulated a three-year Medium-term Business Plan, which is disclosed on the Company's website. ([https://www.nikkon-hd.co.jp/ir/management\\_plan/](https://www.nikkon-hd.co.jp/ir/management_plan/))
- (3) Progress of the Medium-term Business Plan is confirmed every year based on business performance and future social and economic conditions, etc. When changes occur, the background and details of the changes are explained to shareholders through timely disclosure, general meetings of shareholders, and financial results briefings.

**[Supplementary Principle 4.1.3]**

**Based on the company objectives (business principles, etc.) and specific business strategies, the board should proactively engage in the establishment and implementation of a succession plan for the CEO and other top executives and appropriately oversee the systematic development of succession candidates, deploying sufficient time and resources.**

- (1) The Nomination Committee, an advisory body to the Board of Directors, oversees and discusses the succession planning and operation for the President & CEO and other officers, based on the Company's management philosophy and management strategy.
- (2) The development of candidates is appropriately supervised by the Board of Directors, which, after consulting with the non-statutory Nomination Committee, a majority of whose members are independent outside directors, and receiving reports on the committee's deliberations and its recommendations, deliberates over, decides on and implements the development of candidates.

**[Principle 4.2: Roles and Responsibilities of the Board (2)]**

**The board should view the establishment of an environment that supports appropriate risk-taking by the senior management as a major aspect of its roles and responsibilities. It should welcome proposals from the management based on healthy entrepreneurship, fully examine such proposals from an independent and objective standpoint with the aim of securing accountability, and support timely and decisive decision-making by the senior management when approved plans are implemented. Also, the remuneration of the management should include incentives such that it reflects mid- to long-term business results and potential risks, as well as promotes healthy entrepreneurship.**

- (1) The Company's important business operations, as defined by the Board of Directors Regulations, are discussed by each executive body and division under its jurisdiction before being brought to the Board of Directors for deliberation. The Board of Directors collects and analyzes information and makes rational decisions based on the independent and objective opinions of outside directors. After policy decisions are made by the Board of Directors, the Board supports prompt decision-making by the executives while receiving appropriate updates from them.
- (2) The remuneration of directors (excluding members of the Audit & Supervisory Board and outside directors) shall be linked more clearly to the Company's business performance and stock value. The Company has introduced a performance-linked stock compensation system from the fiscal year ending March 31, 2022, for the purpose of more clearly linking remuneration to the Company's business performance and stock value, increasing their motivation to contribute to improving the Company's business performance and corporate value over the medium to long term, and promoting the sharing of value with shareholders.

**[Supplementary Principle 4.2.1]**

**The board should design management remuneration systems such that they operate as a healthy incentive to generate sustainable growth, and determine actual remuneration amounts appropriately through objective and transparent procedures. The proportion of management remuneration linked to mid- to long-term results and the balance of cash and stock should be set appropriately.**

- (1) The maximum amount of total remuneration for all directors is determined by resolution of the general meeting of shareholders.

- (2) Remuneration for directors is determined by a resolution of the Board of Directors based on its own advice after consultation with the non-statutory Remuneration Committee, the majority of whose members are independent outside directors.
- (3) In addition, the percentage of remuneration by type is structured so that the weight of performance-linked remuneration and stock-based remuneration increases with higher positions, based on benchmark remuneration levels at companies of similar business size and in related industries and business categories to those of the Company.
- (4) Remuneration may not be paid or may be required to be returned if any of the reasons specified in the Directors' Regulations apply.

**[Supplementary Principle 4.2.2]**

**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.**

- (1) The Board of Directors has formulated a policy regarding the Company's approach to sustainability from the perspective of improving corporate value over the medium- to long-term, and discloses the policy on the Company's website.  
[\(https://www.nikkon-hd.co.jp/sustainability/\)](https://www.nikkon-hd.co.jp/sustainability/)
- (2) Specific goals are set and pursued regarding switching to environmentally friendly vehicles and environmentally friendly products, diversifying employment, safety policies, and legal compliance. The Company has also established a Sustainability Committee, chaired by an outside director, as an advisory body to hold multifaceted discussions at the Board of Directors level on highly important issues, and to work toward the long-term enhancement of corporate value.
- (3) The Company formulates a medium-term business plan after discussions at Board of Directors meetings regarding the allocation of management resources and strategies for the business portfolio in accordance with the management policy, and explains the status of profit/loss and investments in the business portfolio in detail in semi-annual financial reports. The Board of Directors receives these reports, including those on investments in human capital and intellectual property, and oversees them to ensure that they contribute to the Group's sustainable growth.

**[Principle 4.3: Roles and Responsibilities of the Board (3)]**

**The board should view the effective oversight of the management and directors from an independent and objective standpoint as a major aspect of its roles and responsibilities. It should appropriately evaluate company performance and reflect the evaluation in its assessment of the senior management.**

**In addition, the board should engage in oversight activities in order to ensure timely and accurate information disclosure, and should establish appropriate internal control and risk management systems.**

**Also, the board should appropriately deal with any conflict of interests that may arise between the company and its related parties, including the management and controlling shareholders.**

- (1) The Board of Directors' primary role and responsibility is to provide highly effective supervision of the management team.
- (2) In addition, the Board of Directors has appointed an information disclosure manager and established a system to disclose accurate information in a timely manner. In accordance with the provisions of the Companies Act, the Company has also appropriately developed and operates a basic policy on internal control systems and a risk management framework, to ensure the appropriateness of operations of the Company and its group companies.
- (3) The Board of Directors resolves to address potential conflicts of interest between the Company and related parties such as management and controlling shareholders, seeks opinions from the Audit & Supervisory Committee and requests reports from time to time on the status of such transactions.

**[Supplementary Principle 4.3.1]**

**The board should ensure that the appointment and dismissal of the senior management are based on highly transparent and fair procedures via an appropriate evaluation of the company's business results.**

- (1) The Company maintains a highly transparent and objective system by having a non-statutory Nomination Committee, the majority of whose members are independent outside directors. The committee discusses the appointment and dismissal of directors, etc., based on the Company's performance and other conditions, and the Board of Directors makes decisions based on the committee's recommendations.
- (2) The term of office of directors and executive officers is one year, and even during their term of office, the Board of Directors may pass a resolution to dismiss them if it determines that they fall under the grounds for dismissal stipulated in the internal regulations.

**[Supplementary Principle 4.3.2]**

**Because the appointment/dismissal of the CEO is the most important strategic decision for a company, the board should appoint a qualified CEO through objective, timely, and transparent procedures, deploying sufficient time and resources.**

- (1) The selection and dismissal of the President and Representative Director are deliberated on and decided by the Board of Directors after the Board of Directors consults with Nomination Committee, the majority of whose members are independent outside directors, and receives reports and recommendations from the committee's discussions.
- (2) The Board of Directors, a majority of whose members are independent outside directors, selects and decides on successor candidates in accordance with procedures that are objective, timely, and transparent.

**[Supplementary Principle 4.3.3]**

**The board should establish objective, timely, and transparent procedures such that a CEO is dismissed when it is determined, via an appropriate evaluation of the company's business results, that the CEO is not adequately fulfilling the CEO's responsibilities.**

- (1) The term of office of directors and executive officers, including the representative director, is one year. When dismissing the president and representative director, if, after comprehensively considering their qualifications, management ability, and whether there has been any serious misconduct, the Board of Directors determines that there is a problem with the performance of their duties, in order to ensure objectivity and transparency, the matter will be discussed by the non-statutory Nomination Committee, the majority of whose members are independent outside directors. The Board of Directors will then make a final decision in light of recommendations provided by the committee.

**[Supplementary Principle 4.3.4]**

**The establishment of effective internal control and proactive enterprise risk management systems has the potential to support sound risk-taking. The board should appropriately establish such systems on an enterprise basis and oversee the operational status, besides utilizing the internal audit department.**

- (1) The Company's Compliance Promotion Committee, chaired by a director, works with the Legal Department to monitor the system and status of compliance with laws, regulations, and corporate ethics throughout the Group, and the Board of Directors oversees the results of this monitoring.
- (2) Regarding internal control, the Group Business Audit Department, in accordance with the Internal Audit Regulations, conducts periodic monitoring of the maintenance and operation of the internal control system, and the Board of Directors receives reports on and supervises the management status.
- (3) The Risk Management Committee, chaired by a director, manages risks according to their nature in accordance with the Risk Management Regulations, and the Board of Directors receives reports

on the status of risk management and supervises it.

**Principle 4-4: Roles and Responsibilities of Audit & Supervisory Board Members and the Audit & Supervisory Board**

**Audit & Supervisory Board Members and the Audit & Supervisory Board should bear in mind their fiduciary responsibilities to shareholders and make decisions from an independent and objective standpoint when executing their roles and responsibilities including the audit of the performance of directors' duties, appointment and dismissal of Audit & Supervisory Board Members and external auditors, and the determination of auditor remuneration. Although so-called "defensive functions," such as business and accounting audits, are part of the roles and responsibilities expected of Audit & Supervisory Board Members and the Audit & Supervisory Board, in order to fully perform their duties, it would not be appropriate for Audit & Supervisory Board Members and the Audit & Supervisory Board to interpret the scope of their function too narrowly, and they should positively and proactively exercise their rights and express their views at board meetings and to the management.**

- (1) Our Audit & Supervisory Committee consists of three Audit & Supervisory Committee members, two of whom are outside directors, including the committee chairperson. Each Audit & Supervisory Committee member fulfills his or her roles and responsibilities, such as auditing the directors' execution of their duties, from an independent and objective standpoint based on their fiduciary responsibility to shareholders.
- (2) Each Audit & Supervisory Committee member has extensive knowledge and expertise in their respective field, and actively and positively exercises their authority and provides appropriate opinions to the Board of Directors and management.

**[Supplementary Principle 4.4.1]**

**Given that not less than half of the Audit & Supervisory Board must be composed of outside Audit & Supervisory Board members and that at least one full-time Audit & Supervisory Board member must be appointed in accordance with the Companies Act, the Audit & Supervisory Board should, from the perspective of fully executing its roles and responsibilities, increase its effectiveness through an organizational combination of the independence of the former and the information gathering power of the latter. In addition, Audit & Supervisory Board members or the Audit & Supervisory Board should secure cooperation with outside directors so that such directors can strengthen their capacity to collect information without having their independence jeopardized.**

- (1) The Audit & Supervisory Committee of the Company consists of three Audit & Supervisory Committee members, two of whom are outside directors, including the committee chairperson.
- (2) Two of the three Directors who are Audit & Supervisory Committee members are appointed as Outside Directors. The Outside Directors are a certified tax accountant and a former member of

the Ministry of Land, Infrastructure, Transport and Tourism, and provide opinions to the Board of Directors, focusing on their respective fields of expertise.

- (3) The full-time Audit & Supervisory Board Member also participates in important internal meetings, including management meetings, and as a full-time Audit & Supervisory Board Member, actively expresses their opinions and shares information with the relevant departments.
- (4) The Company also works closely with Outside Directors, exchanging opinions with them as necessary.

**Principle 4.5: Fiduciary Responsibilities of Directors and Audit & Supervisory Board Members**

**With due attention to their fiduciary responsibilities to shareholders, the directors, Audit & Supervisory Board members and the management of companies should secure the appropriate cooperation with stakeholders and act in the interest of the company and the common interests of its shareholders.**

- (1) The Company's directors and members of the Audit and Supervisory Committee fulfill their fiduciary responsibility to shareholders, strive to build a sustainable society and balance corporate profits, and act in cooperation with stakeholders to enhance the common interests of the Company and its shareholders.

**Principle 4.6: Business Execution and Oversight of the Management**

**In order to ensure effective, independent and objective oversight of the management by the board, companies should consider utilizing directors who are neither involved in business execution nor have close ties with the management.**

- (1) The Company has established a highly effective supervisory system with a majority of independent outside directors who provide their opinions in accordance with objective, timely, and transparent procedures.

**Principle 4.7: Roles and Responsibilities of Independent Directors**

**Companies should make effective use of independent directors, taking into consideration the expectations listed below with respect to their roles and responsibilities:**

- (i) Provision of advice on business policies and business improvement based on their knowledge and experience with the aim to promote sustainable corporate growth and increase corporate value over the mid- to long-term;**
- (ii) Monitoring of the management through important decision-making at the board including the appointment and dismissal of the senior management;**
- (iii) Monitoring of conflicts of interest between the company and the management or controlling shareholders; and**
- (iv) Appropriately representing the views of minority shareholders and other stakeholders in the boardroom from a standpoint independent of the management and controlling shareholders.**

- (1) Based on their professional knowledge and wealth of experience, the Company's independent outside directors provide timely and appropriate advice and supervision, independent of management and controlling shareholders, on management policies and improvements, selection and dismissal of senior management, conflicts of interest between the Company and management, controlling shareholders, and other important decisions of the Board of Directors, in order to enhance corporate value over the medium to long term.
- (2) Outside directors constitute the chairperson and members of the Nomination Committee, Remuneration Committee, and Sustainability Committee, which are advisory bodies to the Board of Directors, and provide independent and objective deliberations and oversight.

**[Principle 4.8: Effective Use of Independent Outside Directors]**

**Independent outside 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 outside 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 outside 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 outside directors.**

- (1) The Company appoints a majority of independent outside directors (including two outside directors who are members of the Audit & Supervisory Committee) who meet the criteria established by the Company. The ratio of independent outside directors to the current total of 11

directors is 55%, enabling discussions based on their independent and neutral opinions at Board of Directors meetings.

- (2) Going forward, the Company will consider the number of independent outside directors necessary, taking into account changes in the business environment surrounding the Company and other factors.

**[Supplementary Principle 4.8.1]**

**To actively contribute to discussions at the board, independent outside directors should endeavor to exchange information and develop a shared awareness among themselves from an independent and objective standpoint. Regular meetings consisting solely of independent directors (executive sessions) would be one way of achieving this.**

- (1) In order to stimulate discussion at Board of Directors meetings, the Company has its independent outside directors review agenda items in advance and take appropriate actions to deepen their understanding of the agenda items, such as providing supplementary explanations. Through meetings of the Nomination Committee, Remuneration Committee, and Sustainability Committee, of which independent outside directors are constituent members, the independent outside directors exchange opinions and promote information exchange, awareness sharing, and collaboration.
- (2) Although the Company does not hold official meetings consisting solely of independent outside parties, the six independent outside directors (including two outside directors who are members of the Audit & Supervisory Committee) communicate with each other as necessary, exchange information and share recognition based on their independent and objective standpoints, actively participate in discussions at Board of Directors meetings, and fully fulfill their responsibilities through lively exchanges of views.

**[Supplementary Principle 4.8.2]**

**Independent outside directors should endeavor to establish a framework for communicating with the management and for cooperating with Audit & Supervisory Board members or the Audit & Supervisory Board by, for example, appointing the lead independent outside director from among themselves.**

- (1) In order for independent outside directors to fully fulfill their expected roles, it is necessary to enhance the effectiveness of cooperation between independent outside directors and internal directors, executive officers, and Audit & Supervisory Committee members, etc. To this end, the Company has established a system to facilitate close communication and coordination through the Board of Directors Secretariat (General Affairs Department).
- (2) Independent outside directors actively participate in obtaining information and discussing proposals, including asking questions in advance, and have opportunities to discuss proposals with management and Audit & Supervisory Committee members as necessary. The Board of Directors also engages in a lively exchange of opinions.

**[Supplementary Principle 4.8.3]**

**Companies that have a controlling shareholder should either appoint at least one-third of their directors (the majority of directors if listed on the Prime Market) as independent outside directors who are independent of the controlling shareholder or establish a special committee composed of independent persons including independent director(s) to deliberate and review material transactions or actions that conflict with the interests of the controlling shareholder and minority shareholders.**

- (1) The Company has no listed subsidiaries with controlling shareholders as of June 27, 2025.

**[Principle 4.9: Independence Standards and Qualification for Independent Outside Directors]**

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

- (1) The Company selects candidates for independent outside director based on the Company's own criteria and through deliberation and consideration by the Board of Directors.
- (2) Furthermore, in regard to the Company's independent outside directors, the Company believes that it can further strengthen its management structure by giving officers who meet the independence criteria stipulated by the Tokyo Stock Exchange a full understanding of the Group's business and management environment and corporate philosophy and receiving from them impartial, fair and appropriate guidance and advice on the Company's management based on their honest character and broad insight and experience and it judges an officer who does not fall under any of the following as independent.
  - (a) An executive of a major business partner\* of the Group or an executive of a company for which the Group is a major business partner
  - (b) An executive of a lender of the Group whose loan amount to the Company exceeds 2% of the Company's consolidated total assets as of the end of the most recent fiscal year
  - (c) A major shareholder of the Company who holds a stake in the Company of 10% or more or an executive of a major shareholder or investor (ranked in the top 10), either currently or at any point in the most recent three fiscal years
  - (d) A consultant, accounting specialist or legal specialist who during the most recent three fiscal years received from the Company average annual compensation exceeding 10 million yen
  - (e) Any person who has fallen under any of the categories (a) to (d) above in the last five years
  - (f) A spouse or relative within two degrees of kinship of a director, etc. of the Company or a consolidated subsidiary
  - (g) A person whose total period of employment at the Company exceeds eight years

\* The term 'major business partner' refers to a business partner of the Group whereby the annual transactions between such business partner and the Group during the most recent three

fiscal years amount to more than 2% of the consolidated net sales of the Company or the consolidated net sales of the business partner.

**[Principle 4.10: Use of Optional Approach]**

**In adopting the most appropriate organizational structure (as stipulated by the Companies Act) that is suitable for a company's specific characteristics, companies should employ optional approaches, as necessary, to further enhance governance functions.**

- (1) In addition to statutory elements of its organizational design, the Company has established non-statutory organizations such as the Compliance Promotion Committee, Risk Management Committee, and Sustainability Committee, and will continue to establish non-statutory organizations as necessary to further enhance governance functions.
- (2) The Compliance Promotion Committee deliberates important compliance-related issues for the entire NIKKON Holdings Group in accordance with internal rules on compliance, maintains and improves the compliance system, provides awareness-raising and education, and reports to and advises the Board of Directors as necessary.
- (3) The Risk Management Committee engages in activities to strengthen governance functions such as the identification, analysis and evaluation of risks predicted across the NIKKON Holdings Group, risk management which is consistent with corporate strategies and can adapt to changes in the management environment, the formulation of specific risk management plans, verification of the efficacy of the risk management structure, and clarification of matters to be reported to the Board of Directors regarding risk management.
- (4) The Sustainability Committee provides appropriate guidance and supervision from a management perspective to ensure that the ESG Promotion Office, the executive arm of the Company, in cooperation with the Corporate Planning Department, Legal Department, Accounting Department, Group Administration Department, and Group companies, identifies themes and important issues that should be implemented through corporate activities. The committee also actively promotes concrete initiatives for improvement, including climate change measures and human rights measures. The Company aims to facilitate multifaceted discussions at the Board of Directors level on highly important themes, and work toward the long-term enhancement of corporate value.

**[Supplementary Principle 4.10.1]**

**If the organizational structure of a company is either a Company with an Audit & Supervisory Board or Company with an Audit & Supervisory Committee and independent outside 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 plans) and remuneration of the senior management and directors, the company should seek the 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 outside directors, and should disclose the mandates and roles of the committees, as well as the policy regarding the independence of the composition.**

- (1) The Company has established a voluntary Nomination Committee and Remuneration Committee comprised of a majority of independent outside directors, to enhance objectiveness and transparency in the process of making decisions on the personnel matters of senior managers who play a role in the company's sustainable growth and building trust and directors' remuneration, etc. and to further enhance and strengthen the management and governance structure.
- (2) When considering particularly important matters such as nomination and remuneration, the Company has received appropriate involvement and advice from these committees, including perspectives on gender diversity and skills.

**[Principle 4.11: Preconditions for Board of Directors and Audit & Supervisory Board Effectiveness]**

**The Board should be well balanced in knowledge, experience and skills in order to fulfill its roles and responsibilities, and it should be constituted in a manner to achieve both diversity, including gender, international experience, work experience and age, and appropriate size. In addition, persons with appropriate experience and skills as well as necessary knowledge on finance, accounting, and the law should be appointed as Audit & Supervisory Board members.**

**In particular, at least one person who has sufficient expertise on finance and accounting should be appointed as an Audit & Supervisory Board member.**

**The Board should endeavor to improve its function by analyzing and evaluating effectiveness of the Board as a whole.**

- (1) The Company's Articles of Incorporation stipulate that the Board of Directors shall not exceed 15 members (11 directors and four Audit & Supervisory Committee members), and as of June 27, 2025, the Board consisted of 11 directors (nine male and two female), including six outside directors.

- (2) The Company appoints directors who have expertise and extensive experience in the areas of management, finance, legal affairs, internationality, and logistics business. The Company's outside directors consist of persons with diverse knowledge, experience, and abilities, including management experience at other companies and legal and accounting experts, two of whom are women.
- (3) Every year, the Company conducts an evaluation of the effectiveness of the Board of Directors by an external third-party organization to ensure that the effectiveness of the Board of Directors as a whole is ensured through analysis and evaluation of its operational status, and to continually improve the functioning of the Board of Directors.

**[Supplementary Principle 4.11.1]**

**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 outside directors with management experience in other companies should be included.**

- (1) The Company has prepared a skills matrix to ensure that the Board of Directors is made up of individuals with expertise and extensive experience in various fields including management, finance, legal affairs, internationalism and the logistics business and that it has a good balance of skills in light of the Company's management strategies. Diversity in terms of gender and age, etc. is also taken into consideration.
- (2) By appointing individuals with management experience at other companies and individuals with expertise in finance, accounting and legal affairs as independent outside directors, the Company aims to maintain a balance of expertise, ensuring that the Board of Directors does not lack the expertise it needs.
- (3) The skills matrix and policies on the appoint of directors, etc. are disclosed on the Company's website. ([https://www.nikkon-hd.co.jp/company/board\\_member/](https://www.nikkon-hd.co.jp/company/board_member/))

**[Supplementary Principle 4.11.2]**

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

- (1) Concurrent posts of the Company's outside directors at other companies are disclosed every year

through the Notice of the Annual General Meeting of Shareholders, the Annual Securities Report, and the Corporate Governance Report, etc.

(2) Currently, one outside director of the Company concurrently serves as an outside director of one other listed company, but the Company believes that this does not hinder the outside director's performance of his duties as they have sufficient time and energy to fulfill their responsibilities at the Company.

**[Supplementary Principle 4.11.3]**

**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.**

- (1) Each year, the Company conducts an evaluation of the effectiveness of the Board of Directors by an external third-party organization, during which all directors conduct an analysis and self-evaluation of the effectiveness of the Board of Directors and make improvements based on the results of this analysis and evaluation.
- (2) The results of the evaluation of the effectiveness of the Board of Directors are published on the Company's website.

**[Principle 4.12: Active Board Deliberations]**

**The Board should endeavor to foster a climate where free, open and constructive discussions and exchanges of views take place, including the raising of concerns by outside directors.**

- (1) At the Board of Directors meetings, the Company engages in free, vigorous and constructive discussions and active exchanges of opinions on all matters to be resolved and reported, without making distinctions between internal and external directors.

**[Supplementary Principle 4.12.1]**

**In relation to the operation of Board meetings, the Board should promote lively deliberations and ensure that:**

- (i) **Materials for Board meetings are distributed sufficiently in advance of the meeting date;**
- (ii) **In addition to Board materials and as necessary, sufficient information is provided to directors by the company (where appropriate, the information should be organized and/or analyzed to promote easy understanding);**
- (iii) **The schedule of Board meetings for the current year and anticipated agenda items are determined in advance;**
- (iv) **The number of agenda items and the frequency of Board meetings are set appropriately; and**
- (v) **Sufficient time for deliberations.**

- (i) The Company distributes Board of Directors meeting materials well in advance of the meeting dates.

- (ii) Opportunities are provided in advance of Board of Directors meetings for outside directors to ask questions about proposals, and sufficient information is provided on matters to be deliberated, with materials other than those for Board of Directors meetings being presented as necessary.
- (iii) The annual schedule of Board of Directors meetings is set at the beginning of the fiscal year on a schedule that, in principle, allows for the attendance of all directors.
- (iv) The number of items to be discussed and the frequency of meetings are set appropriately.
- (v) The Board of Directors ensures that there is sufficient time for deliberation of agenda items, including a sufficient exchange of opinions after the explanation of each item.

**[Principle 4.13: Information Gathering and Support Structure]**

**To fulfill their roles and responsibilities, directors and Audit & Supervisory Board members should proactively collect information, and as necessary, request the company to provide them with additional information. Also, companies should establish a support structure for directors and Audit & Supervisory Board members, including providing sufficient staff. The Board and the Audit & Supervisory Board should verify whether information requested by directors and Audit & Supervisory Board members is provided smoothly.**

- (1) Each director and Audit & Supervisory Committee member believes that it is necessary for directors and Audit & Supervisory Committee members to obtain sufficient information in order to fully perform their management supervision and audit functions. The Company's directors and audit committee members request information and materials from the relevant divisions as necessary for the performance of their duties, and the divisions that receive such requests provide the requested information and materials as appropriate.
- (2) The General Affairs Department, which is the administrative office of the Board of Directors, plays a central role in assisting directors and Audit & Supervisory Committee members, and the Group Business Audit Department plays a central role in assisting the Audit & Supervisory Committee in obtaining sufficient information.
- (3) Each year, the Company confirms in its evaluation of the effectiveness of the Board of Directors, regarding whether each director, including directors who are Audit & Supervisory Committee members, are smoothly provided with the information and materials they have requested.

**[Supplementary Principle 4.13.1]**

**Directors, including outside directors, should request the company to provide them with additional information, where deemed necessary from the perspective of contributing to transparent, fair, timely and decisive decision-making. In addition, Audit & Supervisory Board members, including outside Audit & Supervisory Board members, should collect information appropriately, including the use of their statutory investigation power.**

- (1) Directors, including outside directors, are provided with additional information as necessary to deepen discussions at Board meetings and to contribute to transparent, fair, prompt and decisive corporate decision-making.

(2) Directors who are members of the Audit & Supervisory Committee, including outside directors, may exercise their authority to conduct investigations pursuant to laws and regulations to obtain appropriate information when they deem it necessary to perform their audit functions more effectively.

**[Supplementary Principle 4.13.2]**

**Directors and Audit & Supervisory Board members should consider consulting with external specialists at company expense, where they deem it necessary.**

(1) The Company has a system that allows directors to proactively utilize and review, at the Company's expense, attorneys, consultants, and other outside experts when deemed necessary in the course of their duties.

**[Supplementary Principle 4.13.3]**

**Companies should ensure coordination between the internal audit department, directors and Audit & Supervisory Board members by establishing a system in which the internal audit department appropriately reports directly to the Board and the Audit & Supervisory Board in order for them to fulfill their functions. In addition, companies should take measures to adequately provide necessary information to outside directors and outside Audit & Supervisory Board members. One example would be the appointment of an individual who is responsible for communicating and handling requests within the company such that the requests for information about the company by outside directors and outside Audit & Supervisory Board members are appropriately processed.**

(1) The Group Business Audit Department reports to directors and Audit & Supervisory Committee members on the results of audits and issues to be considered concerning business execution and execution status identified through audit hearings. The Company also reports important issues to the Board of Directors and shares necessary information with outside directors and Audit & Supervisory Committee members.

(2) The director in charge instructs the responsible department to improve the reported issues, and the Group Business Audit Department, which assists the administrative office of the Board of Directors and Audit & Supervisory Committee members, promptly makes improvements by assisting in the response.

**[Supplementary Principle 4.14: Director and Audit & Supervisory Board Member Training]**

**New and incumbent directors and Audit & Supervisory Board members should deepen their understanding of their roles and responsibilities as a critical governance body at a company, and should endeavor to acquire and update necessary knowledge and skills. Accordingly, companies should provide and arrange training opportunities suitable to each director and Audit & Supervisory Board member along with financial support for associated expenses. The Board should verify whether such opportunities and support are appropriately provided.**

- (1) The Company's directors and Audit & Supervisory Committee members strive to deepen their understanding of their expected roles and responsibilities, as well as to acquire the necessary knowledge, update it appropriately, and conduct other studies.
- (2) The Company provides directors and Audit & Supervisory Committee members with training and other necessary opportunities from time to time at the Company's expense to acquire and appropriately update information and knowledge required for their positions and duties.
- (3) The Board of Directors confirms whether these actions are being taken appropriately in its annual evaluation of the effectiveness of the Board of Directors. With regard to the method of effectiveness evaluation, the Company has set up a system to conduct research and analysis through an external third-party organization starting from the fiscal year ending March 31, 2023.

**[Supplementary Principle 4.14.1]**

**Directors and Audit & Supervisory Board members, including outside directors and outside Audit & Supervisory Board members, 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 continuing opportunity to renew and update such knowledge as necessary.**

- (1) When directors assume office, the Company provides training on basic knowledge of the business, directors' responsibilities, and corporate governance.
- (2) After assuming office, in order to deepen their understanding of the business, each individual, at their own discretion, studies through seminars and workshops provided by outside organizations to acquire the necessary knowledge, update it appropriately, and so on. The company is entitled to charge for the cost of such expenses.
- (3) Full-time Audit & Supervisory Committee members attend Management Strategy Council meetings to obtain timely information on corporate management.

**[Supplementary Principle 4.14.2]**

**Companies should disclose their training policy for directors and Audit & Supervisory Board members.**

- (1) Regarding training for directors, directors receive guidance in areas such as financial management, internal controls, and legal knowledge in training for newly appointed directors.

(2) The Company also provides training as and when necessary through the provision of training opportunities to acquire and update knowledge as required for the fulfilment of responsibilities or duties and the provision of information needed to supervise management.

## Chapter 5: Dialogue with Shareholders

### [Basic Principle 5]

**To contribute to sustainable growth and the increase of corporate value over the mid- to long-term, companies should engage in constructive dialogue with shareholders even outside the general shareholder meeting. During this dialogue, senior management and directors, including outside directors, should listen to the views of shareholders and pay due attention to their interests and concerns, clearly explain business policies to shareholders in an understandable manner so as to gain their support, and work for developing a balanced understanding of the positions of shareholders and other stakeholders and acting accordingly.**

- (1) The Company recognizes that proactively engaging in dialogue with shareholders and reflecting their opinions and requests in corporate management to achieve growth together with them is important for sustainable growth and enhancement of corporate value in the medium and long term.
- (2) A system for engagement with shareholders is in place, led by the executive officer in charge of IR and SR.
- (3) To deepen understanding of our management strategies and plans, we regularly invite investors, financial institutions, and the press to our financial results and ESG briefings, and we are also actively involved in organizing business site tours and meeting with shareholders and investors individually.

### [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.**

- (1) As for management policies and initiatives for sustainable growth and enhancement of corporate value in the medium and long terms, the Company's basic policy is to provide appropriate information in a timely manner and to engage in constructive dialogue with stakeholders through the reflection of shareholder feedback in management, etc.
- (2) The Company's president, the director in charge of finance, the executive officer in charge of IR, etc. engage in constructive dialogue to build trust based relationships with shareholders.
- (3) The Company holds a financial result and ESG briefing for shareholders and investors semi-annually to contribute to the Company's sustainable growth and enhancement of its corporate

value in the medium and long terms, and it also organizes an office visit once a year and briefings for individual investors on an irregular basis.

(4) In addition to establishing and complying with its own Insider Trading Prevention Regulations, the Company also has a quiet period starting from the closing date of each quarter and ending on the day it announces its results and enforces this among its officers and employees.

**[Supplementary Principle 5.1.1]**

**Taking the requests and interests of shareholders into consideration, to the extent reasonable, the senior management and, directors, including outside directors, and Audit & Supervisory Board members, should have a basic position to engage in dialogue (management meetings) with shareholders.**

- (1) Dialogues and meetings with shareholders are handled by the president, director in charge of finance, and executive officer in charge of IR/SR at the request of shareholders.
- (2) The Company responds flexibly to requests from shareholders for dialogue or interviews with specific directors, including outside directors, taking into consideration the purpose and significance of the meeting, the attributes of the requesting and participating parties, and other factors.

**[Supplementary Principle 5.1.2]**

**At minimum, policies for promoting constructive dialogue with shareholders should include the following:**

- (i) **Appointing a member of the management or a director who is responsible for overseeing overall dialogue with shareholders and ensuring that constructive dialogue takes place, including the matters stated in items ii) to v) below;**
- (ii) **Measures to ensure positive cooperation between internal departments such as investor relations, corporate planning, general affairs, corporate finance, accounting and legal affairs with the aim of supporting dialogue;**
- (iii) **Measures to promote opportunities for dialogue aside from individual meetings (e.g., general investor meetings and other IR activities);**
- (iv) **Measures to appropriately and effectively relay shareholder views and concerns learned through dialogue to the senior management and the Board; and**
- (v) **Measures to control insider information when engaging in dialogue.**

- (1) The Company has the following systems in place to promote constructive dialogue with shareholders.
  - (i) An executive officer in charge of investor relations has been designated.
  - (ii) The Stock Section of the General Affairs Department is responsible for assisting in dialogue with shareholders and overseeing information from all relevant departments. The Company has also established a system for collaboration among internal departments, including the

Corporate Planning Department and the Finance Department, in order to understand shareholders and other stakeholders and to facilitate discussions to improve corporate value.

- (iii) The Stock Section of the General Affairs Department regularly conducts financial results and ESG briefings, business site tours, briefings for individual investors, and meetings with institutional investors.
- (iv) Shareholder requests, opinions, etc. obtained at briefings and interviews are compiled by the Stock Section of the General Affairs Department, and important matters are reported to the Board of Directors by the Executive Officer in charge of IR/SR as appropriate.
- (v) Insider trading prevention rules have been established, and an appropriate information management system has been established in accordance with these rules.

**[Supplementary Principle 5.1.3]**

**Companies should endeavor to identify their shareholder ownership structure as necessary, and it is desirable for shareholders to cooperate as much as possible in this process.**

- (1) The composition and distribution of shareholders on the shareholders' register as of the end of each quarter of each year is ascertained, and a survey is conducted once a year to determine the actual shareholders.

**[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. Moreover, 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.**

- (1) In formulating and announcing its Medium-term Business Plans, the Company sets targets for net sales, operating income, return on equity (ROE), etc., based on an understanding of its own cost of capital, and discloses these targets on its website.
- (2) In addition, with regard to measures such as reviewing business structure and allocating management resources, including capital investment and investment in human capital, the Company provides specific explanations for achieving its goals through financial results briefings and other means.
- (3) In addition, on May 10, 2024, the Company announced "Measures to Achieve Management Conscious of Cost of Capital and Stock Price," aiming to secure ROE in excess of cost of capital and ROIC in excess of WACC levels. The Company also expressed its intention to work toward achieving a proper equity-debt balance, improving balance sheet efficiency, expanding investment revenue, and achieving a PBR of 1.0 or higher.

(Medium-term Business Plan: [https://www.nikkon-hd.co.jp/ir/management\\_plan/](https://www.nikkon-hd.co.jp/ir/management_plan/))

**[Supplementary Principle 5.2.1]**

**In developing and announcing business strategies, etc., companies should clearly present the basic policy regarding the business portfolio decided by the Board and the status of the review of such portfolio.**

- (1) The Company has formulated and announced a three-year Medium-term Business Plan.
- (2) In the Medium-term Business Plan, the Group's management policy and basic strategy are set forth, and in addition to performance trends by business segment and client industry, the status of capital investment in segments to be focused on in the future is disclosed in detail in financial results presentation materials.