

**Last Updated:** June 27, 2025  
**NIHON DENGHI CO., LTD.**

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**Securities Code:** 1723  
<https://www.nihondengi.co.jp/en/>

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

## **I. Basic Approach on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information**

### **1. Basic Approach** Updated

The Company’s basic approach to corporate governance is to contribute to the development of society through instrumentation engineering based on its management philosophy of setting ambitious goals, providing satisfaction to customers, and contributing to society at large, while simultaneously achieving sustainable growth for the Company and improving its corporate value over the medium to long term through transparent, fair, prompt, and decisive management.

Our policy is to further improve corporate governance through appropriate collaboration with shareholders and all other stakeholders, proactive and fair disclosure of corporate information, improvement of the effectiveness of the Board of Directors, and engaging in constructive dialogue with shareholders.

<Basic policy>

#### **(1) Safeguarding the rights and equality of shareholders**

We seek to establish an environment in which the rights of shareholders are substantively safeguarded and can be exercised appropriately, while paying due attention to the common interest of shareholders and adopting the necessary measures to ensure substantive equality among shareholders.

#### **(2) Appropriate collaboration with stakeholders other than shareholders**

We recognize the existence of various stakeholders besides shareholders, including the Company’s customers, business partners, employees, and local communities. We seek to achieve sustainable growth and generate corporate value over the medium to long term through the promotion of appropriate collaboration with these stakeholders as well as initiatives aimed at addressing sustainability-related issues based on our management philosophy of providing satisfaction to customers and contributing to society at large.

(3) Ensuring appropriate information disclosures and transparency

We conduct information disclosures with the basic policy of providing accurate information to all stakeholders, including shareholders and investors, in a timely, appropriate, and easy-to-understand manner in accordance with the relevant laws and regulations and our IR Policy.

In addition to timely disclosure documents, the information disclosed is also published in our Annual Securities Reports, Business Reports, Notices of the Annual General Meeting of Shareholders, Corporate Governance Reports, and on the Company's website. Going forward, we will continue to ensure transparency through the enhancement of such content.

(4) Responsibilities of the Board of Directors

We have opted to adopt the organizational design of a company with an Audit and Supervisory Committee. However, in the interest of greater management transparency and flexibility, we have decided to separate supervisory and executive roles by allowing important business execution to be delegated to the management team. In other words, the Board of Directors is primarily responsible for determining basic management policies such as medium-term management plans and for supervising business execution, while business execution is mainly the role of the Representative Director and President as well as other members of the management team, to whom decision-making is delegated.

In order to strengthen the supervisory function of the Board of Directors, we emphasize the use of independent outside Directors. Besides the statutory Audit and Supervisory Committee, we have also voluntarily established the Election and Remuneration Committee, an independent advisory body comprising all independent outside Directors as well as the Representative Director and President, to ensure that independent outside Directors are appropriately involved in and advise on audits, elections, remunerations, and other important governance-related matters. In addition, we ensure the independence of the Board of Directors and the effectiveness of its supervisory function by electing at least one-third of the entire Board of Directors from independent outside Directors with diverse attributes and backgrounds and who possess specialized knowledge in corporate management, finance/accounting, IT/DX, etc.

We have introduced an executive officer system under which the management team, led by the Representative Director and President and other executive officers, is engaged in flexible decision-making in line with the scope of their authority in the Company, including through resolutions of the Executive Committee and decisions by the President, to ensure prompt and flexible corporate management. In addition, when electing candidates for Directors by the Election and Remuneration Committee, we identify the business and management skills required for the management of an instrumentation engineering company to ensure the balanced composition of the Board of Directors as a whole.

We seek to maintain transparency and fairness in the remuneration of Directors (excluding Audit and Supervisory Committee Members) by adopting an incentive-type remuneration scheme consisting of fixed remuneration, performance-linked remuneration, and share-based remuneration, and by delegating the determination of the amount of remuneration for each individual to the Election and Remuneration Committee. Directors who are

[Translation]

Audit and Supervisory Committee Members shall only receive fixed remuneration, with the amount of remuneration for each Director determined based on deliberations among Directors who are Audit and Supervisory Committee Members.

(5) Dialogue with shareholders

In order to achieve sustainable growth and improve corporate value over the medium to long term, we endeavor to disclose information and respond accordingly based on our IR Policy to facilitate constructive dialogue with shareholders and investors. At the same time, we strive to enhance our systems and initiatives with respect to the formulation and announcement of management strategies and plans while making every effort to further mutual understanding with shareholders.

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

[Principle 1.3] (Basic Strategy for Capital Policy)

The Company will seek to find a balance between investments for growth, shareholder returns, and financial soundness, while implementing its capital policy to enhance corporate value over the medium to long term.

We have set a target of achieving 12.5% in consolidated ROE, which is our management indicator, and aim to invest actively for growth after taking the cost of capital into account, to generate returns for shareholders.

With regard to shareholder returns, the Company has decided to pay a progressive dividend based on a consolidated Dividend on Equity (DOE) ratio of 5%, assuming that no events occur that have a significant impact on results, and will take a flexible approach to purchasing its own shares.

[Principle 1.4] (Shares Held as Cross-Shareholdings)

The Company may hold listed shares, etc. for the purpose of creating business opportunities or maintaining and strengthening business relationships. However, we have a policy of selling such shares if it is determined that the rationale for holding them is no longer sufficient.

Accordingly, the Board of Directors annually reviews and evaluates the appropriateness of all cross-shareholdings, taking into consideration not only business factors such as transaction history and the maintenance of smooth and good relationships with investee companies, but also financial benefits and risks associated with holding such holdings. In addition, the Company discloses information on each stock held as cross-shareholdings, including the number of shares held and the purpose of holding in its Annual Securities Report.

With respect to the exercise of voting rights pertaining to shares held as cross-shareholdings, we carefully review the content of each proposal and decide whether it contributes to the improvement of corporate value over the medium to long term for both the investee company and the Company.

[Principle 1.7] (Related Party Transactions)

The Company stipulates in its Board of Directors Regulations that competitive transactions by Directors and related party transactions (including those involving Directors' conflicts of interest) must be approved in advance by the Board of Directors and reported to it after execution. In addition, related party transactions (including those involving Directors' conflicts of interest) are reviewed by the Audit and Supervisory Committee, which is composed of independent outside Directors, prior to being submitted to the Board of Directors.

Furthermore, the Company requires Directors to submit an annual "confirmation statement" that includes information on whether they are engaged in any related party transactions, thereby establishing a framework for monitoring such transactions. The Company does not have any shareholders holding 10% or more of the voting rights, and therefore does not engage in transactions with major shareholders.

[Supplementary Principle 2.4.1] (Ensuring Diversity of Core Human Resources, and Setting and Disclosing Targets)

The Company actively promotes the appointment of diverse human resources to core positions, including not only the Board of Directors but also the management team and other managerial roles. Mid-career hires already account for 30% of our managerial positions. We are continuing to actively hire and appoint mid-career professionals from a wide range of professional backgrounds and age groups in order to bridge the talent gap in line with our targeted business model as a comprehensive engineering company and our medium- to long-term management strategy. We recognize the appointment of women to managerial positions as a key management issue. To expand opportunities for such appointments, we are implementing measures such as increasing hiring, supporting continued employment by enhancing programs that help employees balance work and childcare, and promoting career development by facilitating the conversion of non-regular employees to regular positions and broadening the range of departments in which they can work. We plan to further increase the number of women in managerial positions going forward. For more details, please refer to our "Plan of Action for General Employers formulated under the Act on the Promotion of Female Participation and Career Advancement in the Workplace (April 2021 – March 2026)," available on the Ministry of Health, Labour and Welfare's website, "Ryouritsu Shien no Hiroba (Work-Life Balance Support Plaza)."

We have not set specific targets for appointing mid-career or non-Japanese professionals to managerial positions, as mid-career hires already account for 30% of these positions, and we have determined that there is little need to promote the hiring of non-Japanese personnel in our business.

As part of our medium- to long-term growth strategy, we are committed to enhancing human capital and maximizing talent potential, and are promoting the development of a workplace where diverse individuals, including women, non-regular employees, younger and senior employees, mid-career hires, and persons with disabilities, can grow and thrive. To that end, we hire diverse talent year-round without focusing solely on new graduates. We have also established a range of programs and systems, including group training by organizational

level, specialized technical training through programs such as the “Dengi Academy” and “Technical Center,” on-the-job training (OJT) under a trainer system, reskilling through e-learning and other methods, support for obtaining various public certifications, regular submission of career self-assessments, and career interviews with managers and the human resources section at the head office.

For more information on our human capital initiatives, please refer to our website under Sustainability at Nihon Dengi > Human Capital-Related Initiatives (<https://www.nihondengi.co.jp/en/sustainability/social/>).

[Principle 2.6] (Functioning as Asset Owner of Corporate Pension Funds)

As of April 1, 2022, the Company transitioned from a contract-type defined benefit corporate pension plan to a corporate-type defined contribution pension plan. As a result, we no longer manage or accumulate pension assets as an asset owner. However, with respect to the corporate-type defined contribution pension plan, we implement measures such as selecting investment products to support employees in stable asset formation and providing them with relevant education.

[Principle 3.1] (Enhancement of Information Disclosure)

(1) Company objectives (e.g., management philosophy), management strategies and management plans

For details, please refer to our website under Corporate Information > Management Philosophy (<https://www.nihondengi.co.jp/company/policy.html>) (in Japanese) and Investor Relations > Management Plan (<https://www.nihondengi.co.jp/ir/planning.html>) (in Japanese). The information is also available on our English website (<https://www.nihondengi.co.jp/en/company/policy.html>) and (<https://www.nihondengi.co.jp/en/ir/planning.html>).

(2) Basic approach on corporate governance and basic policy

For details, please refer to this report under “I. 1. Basic approach,” as well as the information on our website under Investor Relations > Corporate Governance (<https://www.nihondengi.co.jp/ir/cgcode.html>) (in Japanese). The information is also available on our English website (<https://www.nihondengi.co.jp/en/ir/cgcode.html>).

(3) Policies and procedures of the Board of Directors in determining the remuneration of the Directors

For details, please refer to this report under “II. 1. Organizational Composition and Operation, [Director Remuneration], Disclosure of Policy for Determining Remuneration Amounts or Calculation Methods Thereof,” as well as the Annual Securities Report and the Business Report.

(4) Policies and procedures of the Board of Directors in the nominations of candidates for Director and Audit and Supervisory Committee Member

For details, please refer to this report under “II. 2. Matters on Functions of Business Execution, Audit and Supervision, Nomination and Compensation Decisions (Overview of Current Corporate Governance System),” as well as the Annual Securities Report.

(5) Explanations with respect to individual appointments, and dismissals and nominations of candidates for Director and Audit and Supervisory Committee Member by the Board of Directors

Please refer to the Notice of the General Meeting of Shareholders for details.

The Annual Securities Reports, Business Reports, and Notice of the General Meeting of Shareholders mentioned in (3) through (5) above are also available on our website, etc.

[Supplementary Principle 3.1.3 and 4.2.2] (Appropriate Disclosure of Sustainability Initiatives and Sustainability Basic Policy)

The Company has established a Basic Sustainability Policy. This policy and related initiatives are available on our website under Sustainability at Nihon Dengi (<https://www.nihondengi.co.jp/en/sustainability/>).

In addition, the Company has established a Sustainability Committee, which is chaired by the Representative Director and President and operates under the Board of Directors. The Committee deliberates and makes decisions on matters related to sustainability management, and promotes initiatives by submitting recommendations to the Board of Directors. The details of these initiatives are disclosed not only in the Annual Securities Report but also explained and announced at the financial results briefing held annually for analysts and institutional investors. The briefing videos and materials (in Japanese) are available on the Company’s website under Investor Relations > IR Materials > Document for Financial Results Briefing (<https://www.nihondengi.co.jp/ir/data/presentation.html>) (in Japanese). English materials are available on our English website (<https://www.nihondengi.co.jp/en/ir/data/presentation.html>).

[Supplementary Principle 4.1.1] (Scope of Matters Delegated to Management Team)

The Company’s Articles of Incorporation stipulate that decisions on important business execution may be delegated to Directors. Accordingly, the Board of Directors focuses more on supervising management and limits its decision-making to matters such as “basic management policies” and “matters exclusively decided by the Board of Directors under laws and regulations or the Articles of Incorporation,” among others. In principle, decisions on individual matters of “important business execution” are delegated to the management team, such as the Executive Committee composed of the Representative Director and Executive Directors based at the head office, the Representative Director and President, or other Executive Directors. Specifically, the scope of delegated authority and decision-making methods are stipulated in the Board of Directors Regulations, Executive Committee Regulations, and Authority and Responsibility Regulations.

[Supplementary Principle 4.1.3] (Formation and Implementation of Succession Plans for the Chief Executive Officer (CEO) and Other Top Executives)

At the Company, the Election and Remuneration Committee, which has been voluntarily established as an advisory body to the Board of Directors and comprises all three independent outside Directors as well as the Representative Director and President, shall deliberate on the succession plan for the Representative Director and President, who serves as the Chief Executive Officer (CEO), and submit a report to the Board of Directors. Based on the committee's report, the Board of Directors shall make a decision on the succession plan.

The Company's succession plan is divided into emergency response and future preparedness. In the event of an emergency, the Election and Remuneration Committee selects a candidate to serve as acting Representative Director and President and prepares a draft plan outlining the method and duration of the acting arrangement based on the situation, which is then decided by the Board of Directors. To prepare for a future change of the Representative Director and President, the Company maintains a pool of management personnel who are candidates for the position, and formulates development plans.

The succession plan is reviewed annually by the Election and Remuneration Committee, which reports the results to the Board of Directors. This ensures that the Board of Directors is involved in and supervises the succession planning process.

[Supplementary Principle 4.3.2] (Policies for Electing and Dismissing CEO, and Appointment Process)

At the Company, the Election and Remuneration Committee, which has been voluntarily established as an advisory body to the Board of Directors, shall deliberate on candidates and submit a report to the Board of Directors as to whether the individual aligns with the required qualities, ideal profile, and election policy for the Representative Director and President. Based on the committee's report, the Board of Directors shall make a decision on the appointment of the Representative Director and President. The specific policy for election is as follows:

Policy for electing Representative Director and President

- The candidate must meet the Company's "Criteria for electing Director candidates."
- The candidate must act with integrity, fairness, and selflessness, and be highly respected both within and outside the Company.
- The candidate must possess strong leadership to navigate changes in the business environment, enhance corporate value, and drive the organization toward sustainable growth.

[Supplementary Principle 4.3.3] (Process for Dismissing CEO)

Based on an appropriate assessment of the Company's performance and other factors, if the Representative Director and President is deemed to be inadequately fulfilling their duties, the Board of Directors shall decide on their dismissal based on a report (proposal for dismissal) from the Election and Remuneration Committee, which is an independent advisory body voluntarily established under the Board of Directors. The specific policy for dismissal is as follows:

Policy for dismissing Representative Director and President

- A violation of laws, the Articles of Incorporation, the Code of Conduct, or other internal rules that has caused or is likely to cause significant loss or operational disruption to the Group.
- The occurrence of an event that makes it significantly difficult for the individual to continue performing their duties.
- It becomes evident that the individual no longer meets one or more of the requirements specified in the policy for election.

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

From the perspective of ensuring the independence of the Board of Directors, the Company elects at least one-third of the entire Board of Directors from independent outside Directors. Out of seven Directors, three are independent outside Directors who meet the independence standards of the Tokyo Stock Exchange. Each of the three independent outside Directors has experience in corporate management, as well as expertise in finance, accounting, and law. They appropriately fulfill their role in ensuring the validity and appropriateness of decision-making by providing advice and recommendations based on their extensive experience and knowledge, and by auditing and supervising management. In addition, the Audit and Supervisory Committee, which is composed of independent outside Directors, meets once a month in principle. The Standing Audit and Supervisory Committee Member, who is selected by mutual vote, reports on internal information as well as audit results from the Financial Auditor and the Audit Office, thereby facilitating effective information sharing. The Company has also voluntarily established the Election and Remuneration Committee, which is an advisory body to the Board of Directors composed of all independent outside Directors and the Representative Director and President. The Committee aims to enhance the independence and objectivity of the Board of Directors in addressing particularly important governance matters, such as the nomination and remuneration of Directors, through the appropriate involvement and advice of the independent outside Directors. The Company believes that this framework provides an effective environment for independent outside Directors to fulfill their roles and responsibilities in contributing to the Company's sustainable growth and the enhancement of its medium-to long-term corporate value, and that they are being effectively utilized.



[Principle 4.9] (Independence Standards and Qualifications for Independent Outside Directors)

The relevant information is provided in this report under “II. 1. Organizational Composition and Operation, [Independent Officers] Matters relating to Independent Officers.” In addition, the independence standards for independent outside Directors are posted on our website under Investor Relations > Corporate Governance (<https://www.nihondengi.co.jp/ir/cgcode.html>) (in Japanese). The information is also available on our English website (<https://www.nihondengi.co.jp/en/ir/cgcode.html>).

[Principles 4.10 and 4.10.1] (Use of Voluntary Frameworks and Committee Composition and Roles)

Please refer to the relevant information provided in this report under “II. 1. Organizational Composition and Operation, [Voluntary Committees] Supplementary Explanation.”

[Supplementary Principle 4.11.1] (Approach to the Composition and Size of the Board of Directors, and Disclosure of Skill Matrix)

The Company has established a “policy on the composition of the Board of Directors” concerning the balance, diversity, and size in terms of the Board’s overall knowledge, experience, and abilities, as well as “criteria for election/dismissal of Director candidates.” In addition, the Company prepares a skills matrix that outlines the knowledge, experience, abilities, etc. of each Director. These details are posted on our website under Investor Relations > Corporate Governance (<https://www.nihondengi.co.jp/ir/cgcode.html>) (in Japanese). The information is also available on our English website (<https://www.nihondengi.co.jp/en/ir/cgcode.html>).

In addition, the skill matrix is included in the Notice of the Annual General Meeting of Shareholders, which is posted on the Tokyo Stock Exchange website as well as on our website under Investor Relations > General Meeting of Shareholders (<https://www.nihondengi.co.jp/ir/meeting.html>) (in Japanese). The English version is also available on our English website (<https://www.nihondengi.co.jp/en/ir/meeting.html>).

[Supplementary Principle 4.11.2] (Concurrent Positions Held by Directors)

The status of concurrent positions held by the Company’s Directors (including Audit and Supervisory Committee Members) is disclosed in the Annual Securities Report and the Notice of the General Meeting of Shareholders.

[Supplementary Principle 4.11.3] (Evaluation of the Effectiveness of the Board of Directors)

To ensure the effectiveness of the Board of Directors, the Company conducts an annual analysis and evaluation of the effectiveness of the Board of Directors based on self-evaluations by each Director and other factors. The evaluation process and overview of initiatives for the current fiscal year (fiscal year ended March 31, 2025) are as follows.

Evaluation process

- (1) Collection of completed questionnaires from all Directors
- (2) Analysis of questionnaire results
- (3) Deliberations by the Election and Remuneration Committee Based on an Analysis and Discussions by the Board of Directors

Questionnaire items

- (1) Roles and functions of the Board of Directors
- (2) Scale and composition of the Board of Directors
- (3) Operation of the Board of Directors
- (4) Development of internal control systems, etc. and roles of outside Directors, etc.
- (5) Relationship with shareholders and investors
- (6) Supervision

Overview of initiatives

- (1) Issues from the previous fiscal year
  - (i) More in-depth discussions on the Company's future vision
  - (ii) Development of an environment that enables outside Directors to fully exercise their roles
  - (iii) Future composition of the Board of Directors
- (2) Evaluation results for the current fiscal year

The Board of Directors has steadily addressed each issue, resulting in improvements in its effectiveness.

- (i) The matter was discussed by the Board of Directors and reaffirmed as an ongoing issue.
- (ii) As a result of improvements to the environment through initiatives such as enhanced training and comprehensive explanations of operations, the outside Directors have become more proactive in providing advice on overall management, among other changes, thus appropriately overseeing the Company's overall management.
- (iii) The Election and Remuneration Committee and the Board of Directors engaged in discussions with a focus on diversity, and confirmed that this remains an ongoing issue.

New issues

- (i) Constructive discussions on management strategies, management plans, etc.
- (ii) Development of risk management systems, including those for cyber risks, and supervision of their operation
- (iii) The nature and composition of the Board of Directors

Based on the above evaluation, the Company has determined that the effectiveness of its Board of Directors is appropriately ensured.

We will continue to consider initiatives to further enhance the effectiveness of the Board of Directors, including addressing the identified issues.

[Supplementary Principle 4.14.2] (Policy for Director Training)

The Company believes that it is important for Directors (including Audit and Supervisory Committee Members) to acquire and update the knowledge necessary for fulfilling their responsibilities in response to changes in the business environment, and therefore provides relevant training. For newly appointed Directors, the Company provides explanations on its business operations, industry, finance, and organizational structure to deepen their understanding. In addition, it offers opportunities to participate in external training programs designed for corporate managers, aiming to enhance their knowledge of their roles as Directors, compliance, and related matters. The Company also continues to provide opportunities for external training, including executive training, as appropriate to help Directors further develop their knowledge in areas such as management, finance, compliance, and other matters necessary for business operations.

[Principle 5.1] (Dialogue With Shareholders)

In order to achieve sustainable growth and improve corporate value over the medium to long term, we strive to establish a system to facilitate constructive dialogue with shareholders and responsible investors in accordance with our IR Policy and internal rules.

- (1) The Company designates an officer in charge of information disclosure and assigns departments responsible for disclosure based on the content. In accordance with the Companies Act, the Financial Instruments and Exchange Act, stock exchange rules, and other relevant laws and regulations, we ensure the appropriate and timely disclosure. We also strive to voluntarily disclose any information deemed to contribute to the investment decisions of shareholders and market participants as promptly as possible.

Furthermore, all information scheduled for disclosure is appropriately managed in accordance with internal rules until the time of its release.

- (2) With respect to dialogue methods, we hold financial results briefings for institutional investors (at fiscal year-end and second quarter-end) as well as company information sessions for individual investors. We also publish shareholder newsletters and IR reports (in both Japanese and English). In addition, individual IR meetings are held as needed, depending on requests and other circumstances. We continue to enhance means of these dialogues, based on the results of our beneficial shareholder identification surveys and other relevant factors, while also assessing the necessity of such dialogues.
- (3) The content of each dialogue is shared with the management team, including the Representative Director and President, to be used as a reference in company management, etc. In principle, the information is also reported to the Board of Directors on a semiannual basis to ensure proper information sharing.

[Translation]

- (4) To manage insider information during dialogues, we observe a “quiet period” from the day following the closing date of our financial results (including quarterly financial results) to the date of announcement of the financial results, in accordance with our IR Policy. We also ensure appropriate information control in accordance with the “Regulations on Management of Material Facts and Insider Trading.”

Our IR Policy is on our website under Investor Relations > IR Policy  
(<https://www.nihondengi.co.jp/en/ir/policy.html>).

[Principle 5.2, Supplementary Principle 5.2.1] (Establishing and Announcing Management Strategies and Management Plans, Basic Approach to Business Portfolio)

The Company formulates a long-term management guideline and medium-term management plan. At financial results briefings held for each fiscal year, we explain our performance targets and related initiatives, as well as progress and outcomes. This information is also published on our website to ensure accessibility for all stakeholders.

We also regularly calculate our cost of capital. Through investment decisions, business management, and the formulation and execution of capital policies based on this calculation, we aim to achieve a return on equity (ROE) that exceeds our cost of capital.

We review our business portfolio as appropriate in the course of these activities and disclose relevant details during the briefings for the above management plan.

#### [Action to Implement Management that is Conscious of the Cost of Capital and the Stock Price]

Description <b>Updated</b>	Disclosure of initiatives (update)
English disclosure <b>Updated</b>	Yes
Date of update <b>Updated</b>	June 27, 2025

Explanation for Applicable Items <b>Updated</b>
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We have launched the following initiatives to implement management that is conscious of the cost of capital and the stock price.

- (1) Analysis and evaluation of the current status of cost of capital

We have set ROE exceeding the cost of equity as a company-wide target management indicator and regularly monitor the ROIC-WACC spread for each business segment.

- (i) ROE

- Based on the CAPM model (using the average beta of comparable companies including our own), we estimate our cost of equity to be around 7–8%. However, based on information obtained through

individual IR meetings and other means, we recognize that investors' expected rate of return, estimated using metrics such as WACC (which approximates the cost of equity due to our low level of interest-bearing debt), is approximately 9–10%. Accordingly, we have set a consolidated ROE target of 12.5% as a lower bound, exceeding the expected return.

(ii) ROIC

- The Company monitors WACC and ROIC by business segment (Air Conditioning Instrumentation-related Business and Industrial Systems-related Business) on a quarterly basis and reports the results to the Board of Directors for review and discussion.
- We are promoting the use of ROIC-WACC spread-based management at the segment level, including in the allocation of management resources, such as human capital and investments for business growth, and in the formulation and review of business strategies.

(iii) Stock price

The Company recognizes that improving sustainable corporate value and ensuring appropriate market valuation as key management issues. Through dialogue with investors, we have recognized a gap between the stock price anticipated by investors and the current stock price. To address this, we aim to further improve our stock price and price-to-book ratio (PBR) by implementing growth strategies and enhancing returns on capital. Most recently, as a result of the following initiatives, our stock price and PBR have both reached record-high levels.

(2) Review and disclosure of initiatives

(i) Execution of growth strategies

- We have positioned operating profit, which is the core of cash flow generation, as a key profit-and-loss-based target management indicator, and are promoting our business strategies accordingly. Operating profit for the fiscal year ended March 31, 2025 reached a record high of ¥9.1 billion.

(ii) Enhanced returns on capital

- From the perspective of management conscious of the cost of capital and returns on capital, we have positioned ROE as a key balance-sheet-based target management indicator. We aim to further improve consolidated ROE, with a minimum target of 12.5%.
- Through capital allocation, including growth investments in areas including M&A, human capital, and digital transformation (DX), as well as enhanced shareholder returns through measures such as share buybacks, we aim to maintain an appropriate and efficient level of capital over the medium to long term and further enhance returns on capital.

[Translation]

[Three-year cash outflows overview (FY2026–FY2028)]

Corporate growth investment	From ¥12.0 billion to ¥13.0 billion	Human capital investment (including subsidiaries and associates and partner companies) DX-related investment M&A and business expansion investments Public relations and IR-related investments
Shareholder returns	From ¥6.0 billion to ¥7.0 billion	Dividends and purchase of its own shares

(iii) Initiatives for non-financial value

(a) Human capital

- Recruiting human resources

Strengthening recruitment to build a workforce of 1,100 employees by fiscal 2030, with 59 new hires including both new graduates and mid-career professionals (six hired through referrals)

Initiatives include improving public relations and branding, raising awareness of the company name, utilizing sponsorships, and leveraging social media

- Human resources development

Launched year-round, comprehensive training programs through the DENGII Academy to accelerate the early development of the workforce

[Number of certified personnel as of FY2025]

First-class electrical work operation and management engineers	434
First-class telecommunication work operation and management engineers	89
First-class plumbing work operation and management engineers	234
First-class instrumentation engineers	401

(b) Promoting sustainability management

As part of our efforts to strengthen human capital, we are implementing a new human resources system and well-being initiatives, including the acquisition of certification as an Outstanding Organization of KENKO Investment for Health. In response to climate change, we are working to reduce GHG emissions while also pursuing Science Based Targets (SBT) certification within the next two years, following the submission of a commitment letter in May 2025. In addition, as part of our corporate governance initiatives, we are continuing to strengthen our sustainability management through measures such as establishing a DX Promotion Committee and promoting the delegation of authority to enhance the effectiveness of business execution.

- We are also working to enhance external recognition and foster a greater sense of belonging within the Company through sponsorship activities such as our support for the men's professional basketball team, Chiba Jets.

(iv) Strengthening shareholder returns

- Revised our basic capital policy following the upward revision of our ROE target and other factors, and increased our progressive dividend policy by raising the Dividend on Equity (DOE) ratio from 4% to 5% in the previous fiscal year
- Forecast an annual dividend of ¥132 per share for the fiscal year ending March 31, 2026 (an increase of ¥10 year-on-year on a post-stock-split basis)
- Continue our policy of conducting share buybacks flexibly in response to market conditions and shareholder trends

(v) Improving stock liquidity

- Carried out a two-for-one stock split effective January 1, 2025 to broaden our investor base and improve stock liquidity

(vi) Incentives to enhance corporate value

- The remuneration of the Company's Directors (excluding Audit and Supervisory Committee Members) consists of basic remuneration (fixed), performance-linked remuneration (short-term incentive), and share-based remuneration (medium- to long-term incentive).
- Regarding incentive remuneration, starting with the fiscal year ended March 31, 2024, we increased the proportion of restricted stock (RS), our medium- to long-term incentive remuneration, from 5% to 10% of total remuneration. In addition, for short-term incentive remuneration, we added consolidated ROE, a target management indicator, as a performance-linked indicator.

In addition, we have introduced a J-ESOP (Japanese version of an Employee Stock Ownership Plan) for employees to further strengthen incentives for stock price appreciation.

(3) Dialogue with shareholders and investors

(i) Dedicated IR department

- To facilitate dialogue with shareholders and investors and reduce the cost of capital, we have established a dedicated IR department (Corporate Communications Section within the General Affairs Department).

(ii) Status of dialogue, etc.

- In collaboration with the President and other members of the management team, we conduct individual IR meetings with institutional investors in Japan and overseas, hold financial results briefings for institutional investors twice a year (at fiscal year-end and second quarter-end), and host annual briefings

[Translation]

for individual investors. We are also strengthening and expanding the disclosure of financial and non-financial information through our corporate website, in both Japanese and English.

- Feedback on the status of dialogue with shareholders and investors, including any issues or requests raised, is reported semiannually to the Board of Directors and shared with outside Directors.
- In response to issues and opinions raised by institutional investors, such as the need to improve stock liquidity, enhance shareholder returns, address the conservativeness of targets and forecasts, and improve capital efficiency, we have implemented measures including a stock split, revisions to our basic capital policy (revisiting ROE and DOE targets), and updates to our medium- to long-term financial targets. As a result of these efforts, the number of meetings with domestic and overseas institutional investors has been increasing year by year as follows.

[Number of the meetings with institutional investors]

Fiscal year ended March 31, 2023	7
Fiscal year ended March 31, 2024	24 (An increase of 17 from the previous fiscal year)
Fiscal year ended March 31, 2025	50 (An increase of 26 from the previous fiscal year)

(iii) Other disclosures

We began disclosing our initiatives to implement management that is conscious of the cost of capital and the stock price at the financial results briefing for the fiscal year ended March 31, 2023 and have since provided updates as appropriate. The latest updates on our efforts were disclosed in the document for financial results briefing for institutional investors for the fiscal year ended March 31, 2025.

Videos and presentation materials (in Japanese) from these briefings are available on our website under Investor Relations > IR Materials > Document for Financial Results Briefing (<https://www.nihondengi.co.jp/ir/data/presentation.html>) (in Japanese). English materials are available on our English website (<https://www.nihondengi.co.jp/en/ir/data/presentation.html>).

In addition, relevant information is included in the Business Report section of the Notice of the 66th Annual General Meeting of Shareholders (in Japanese).



[Translation]

## 2. Capital Structure

Foreign Shareholding Ratio	From 10% to less than 20%
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[Status of Major Shareholders] **Updated**

Name	Number of Shares Owned (Shares)	Shareholding Ratio (%)
Nihon Dengi Employee Shareholders Association	1,402,074	8.71
Ryosuke Shimada	1,052,936	6.54
Kenji Nagata	800,000	4.97
Mizuho Bank, Ltd.	690,000	4.28
Azbil Corporation	656,000	4.07
BBH FOR FIDELITY LOW-PRICED STOCK FUND	592,591	3.68
Shoko Shimada	491,848	3.05
Junko Shimada	491,848	3.05
HIKARI TSUSHIN, Inc.	471,900	2.93
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	395,600	2.45

Controlling Shareholder (except for Parent)

—

Parent (Listed Stock Market)

None

Supplementary Explanation

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## 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, Standard Market
Fiscal Year-End	March
Type of Business	Construction industry
Number of Employees (Consolidated) at End of the Previous Fiscal Year	From 500 to less than 1,000
Net Sales (Consolidated) for the Previous Fiscal Year	From ¥10.0 billion to less than ¥100.0 billion
Number of Consolidated Subsidiaries at End of the Previous Fiscal Year	Less than 10 companies

[Translation]

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

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**5. Other Special Circumstances Which May Have Material Impact on Corporate Governance**

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[Translation]

## **II. Business Management Organization and Other Corporate Governance Systems Regarding Decision-making, Execution of Business, and Supervision in Management**

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

Organization Form	Company with Audit and Supervisory Committee
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#### **[Directors]**

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairman (excluding the case where the person concurrently serves as President)
Number of Directors	7
Election of Outside Directors	Elected
Number of Outside Directors	3
Number of Independent Officers Designated from among Outside Directors	3

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

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Ichiji Kawamura	From another company								△			
Fumiko Kishimoto	Attorney at law											
Michihiro Kudo	Certified Public Accountant											

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category; and

"▲" when a close relative of the director fell under the category in the past

a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary

b. Executive or Non-executive director of the parent of the Company

c. Executive of a fellow subsidiary of the Company

d. Party whose major client or supplier is the Company or an executive thereof

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

f. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)

h. Executive of a client or supplier of the Company (which does not correspond to any of d., e., or f.) (the director himself/herself only)

i. Executive of a corporation to which outside officers are mutually appointed (the director himself/herself only)

[Translation]

- j. Executive of a corporation that receives a donation from the Company (the director himself/herself only)
- k. Other

Outside Directors' Relationship with the Company (2)

Name	Audit and Supervisory Committee Member	Independent Officer	Supplementary Explanation of the Relationship	Reasons for Election
Ichiji Kawamura	○	○	<p>Ichiji Kawamura previously served as a Director and an Audit &amp; Supervisory Board Member of DKS Co., Ltd. However, there are no business relationships between the company and the Company. He was also employed at Mizuho Bank, Ltd., one of the Company's financial institutions, from April 1985 to March 2016. However, after leaving the bank, he was engaged in corporate management at another listed company for a considerable period. Therefore, it has been determined that this fact does not pose a risk of influencing the judgment of shareholders or investors; thus, a detailed description is omitted.</p>	<p>He has extensive experience and broad insight, including in corporate management. We believe that he will effectively apply this insight to audit and supervise the Company's management, provide appropriate advice and recommendations, and fulfill the duties of an outside Director appropriately. No special-interest relationship exists between the candidate and the Company. He has been designated as an independent officer as he meets the independence standards and there is no risk of any conflict of interest with general shareholders.</p>

Name	Audit and Supervisory Committee Member	Independent Officer	Supplementary Explanation of the Relationship	Reasons for Election
Fumiko Kishimoto	○	○	Fumiko Kishimoto is an attorney affiliated with Azusa Sogo Law Office. There are no business relationships between the law office and the Company. Therefore, it has been determined that this fact does not pose a risk of influencing the judgment of shareholders or investors; thus, a detailed description is omitted.	She has exceptional experience and deep insight as an attorney at law. We believe that she will effectively apply this insight to audit and supervise the Company's management, provide appropriate advice and recommendations aimed at enhancing corporate value over the medium to long term, and fulfill the duties of an outside Director appropriately. No special-interest relationship exists between the candidate and the Company. She has been designated as an independent officer as she meets the independence standards and there is no risk of any conflict of interest with general shareholders.

[Translation]

Name	Audit and Supervisory Committee Member	Independent Officer	Supplementary Explanation of the Relationship	Reasons for Election
Michihiro Kudo	○	○	Michihiro Kudo is the representative of Kudo Certified Public Accountant. However, there are no business relationships between the firm and the Company. Therefore, it has been determined that this fact does not pose a risk of influencing the judgment of shareholders or investors; thus, a detailed description is omitted.	He has expert knowledge in financial affairs and accounting as a certified public accountant. We believe that he will effectively apply this knowledge to audit and supervise the Company's management, provide appropriate advice and recommendations aimed at enhancing corporate value over the medium to long term, and fulfill the duties of an outside Director appropriately. No special-interest relationship exists between the candidate and the Company. He has been designated as an independent officer as he meets the independence standards and there is no risk of any conflict of interest with general shareholders.

[Audit and Supervisory Committee]

Composition of Audit and Supervisory Committee and Attributes of the Chairperson

	Total Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Audit and Supervisory Committee	3	1	0	3	Outside Director

Appointment of Directors and/or Staff to Support the Audit and Supervisory Committee <b>Updated</b>	None
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Reasons for adopting the current system **Updated**

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At the Company, one of the Audit and Supervisory Committee Members is a full-time member. Accordingly, no Directors or dedicated staff have been appointed to assist the Committee in its duties.

We have appointed employees of the Internal Audit Office to serve concurrently as support staff for the Audit and Supervisory Committee. Appointments and transfers of such concurrent support staff are made with the consent of the Audit and Supervisory Committee.

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Cooperation among the Audit and Supervisory Committee, the Financial Auditor, and the internal audit department

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The Audit and Supervisory Committee monitors the status of internal audits and internal controls and audits the legality and appropriateness of the execution of duties by Directors, etc., by means of cooperation with the internal audit department and the Financial Auditor and on the basis of reports received from Directors who are not Audit and Supervisory Committee Members, etc.

Furthermore, the Audit and Supervisory Committee Members attend meetings of the Board of Directors and other important meetings as necessary and review approval documents and other documents related to business execution, enhancing the effectiveness of the above audits.

The Audit and Supervisory Committee exchanges opinions with the Representative Director, the internal audit department, and the Financial Auditor in a timely manner to deepen mutual understanding and share information related to audits and other matters.

[Translation]

### [Voluntary Committees]

Voluntary Establishment of Committee(s) Equivalent to Nominating Committee or Compensation Committee	Established
------------------------------------------------------------------------------------------------------------	-------------

#### Committee's Name, Composition, and Chairperson's Attributes

	Committee's Name	Total Com- mittee Mem- bers	Full- time Mem- bers	Inside Direc- tors	Outside Direc- tors	Outside Experts	Other	Chairperson
Committee Equivalent to Nominating Committee	Election and Remuneration Committee	4	2	1	3	0	0	Outside Director
Committee Equivalent to Compensation Committee	Election and Remuneration Committee	4	2	1	3	0	0	Outside Director

#### Supplementary Explanation

To enhance corporate governance by strengthening the fairness, transparency, and objectivity of procedures related to the nomination and remuneration of Directors, the Company has voluntarily established the Election and Remuneration Committee as an independent advisory body to the Board of Directors.

#### [Composition of the Committee]

- (1) The Committee is composed of all independent outside Directors and the Representative Director and President, with a majority of its members being independent outside Directors.
- (2) The Committee's chairperson is selected from among the independent outside Directors by mutual vote of the Committee members.

#### [Role of the Committee]

In response to consultations from the Board of Directors, the Committee deliberates on the following matters and reports its findings to the Board of Directors.

- (1) Matters relating to the appointment and dismissal of Directors (matters to be resolved at the General Meeting of Shareholders)
- (2) Matters relating to the appointment and removal of Representative Directors
- (3) Matters relating to the remuneration system, determination policy, and procedures for deciding the remuneration of Directors (excluding Audit and Supervisory Committee Members)



[Translation]

- (4) Matters relating to the remuneration by Director (excluding Audit and Supervisory Committee Members)
- (5) Matters relating to succession planning
- (6) Other important matters concerning corporate governance deemed necessary by the Board of Directors

## [Independent Officers]

Number of Independent Officers **Updated**

3

### Matters relating to Independent Officers

#### [Effective Use of Independent Outside Directors]

Please refer to the relevant information provided in this report under “I. 1. Basic approach, [Disclosure Based on the Principles of the Japan’s Corporate Governance Code].”

#### [Independence Standards for Independent Outside Directors]

Based on the independence standards established by the Tokyo Stock Exchange, the Company has established its own “Independence Standards for Independent Outside Directors” as set forth below.

These standards are also posted on our website under Investor Relations > Corporate Governance

(<https://www.nihondengi.co.jp/ir/cgcode.html>) (in Japanese). The information is also available on our English website (<https://www.nihondengi.co.jp/en/ir/cgcode.html>).

1. A Director will be independent if none of the following are met, at present and/or in the past five years:

- (1) A major shareholder (Note 1) of the Company or an executive (Note 2) thereof
- (2) An executive of an entity for whom the Company is a major shareholder
- (3) A major business partner (Note 3) of the Company or an executive thereof
- (4) An entity for whom the Company is a major business partner, or an executive thereof
- (5) A major lender (Note 4) to the Company or an executive thereof
- (6) A consultant, accounting professional such as a certified public accountant, or legal expert such as an attorney at law who receives a substantial amount (Note 5) of cash and/or other assets from the Company besides officer compensation
- (7) An entity who receives substantial amount of donation from the Company, or an executive thereof
- (8) A person belonging to the audit firm that is the Financial Auditor of the Company, and who was engaged in or involved in the audit operations of the Company
- (9) A close relative (Note 6) of a person with respect to whom any of the aforementioned apply
- (10) Even in cases where a person could come under one of the above categories, if the person can be considered to be a suitable candidate for independent outside Director of the Company in view of his/her character, insights and other attributes, said person may be appointed independent outside Director of the Company on condition that he/she fulfills the Companies Act’s requirements for an outside Director and on condition that the Company provides a public explanation of the reasons that said person is considered to be a suitable candidate for independent outside Director.

2. A person who is not a close relative of a person who has within the past ten years been an executive of the Company
3. A person who has not been an executive of a subsidiary of the Company within the past ten years
4. A person who is not reasonably deemed to be incapable in other ways of fulfilling the duties of an independent outside Director
5. Total term of office of a person who currently serves as an independent outside Director should not exceed ten years to be reelected as independent outside Director.

(Notes)

1. “Major shareholder” shall mean a person who owns 10% or more of the total voting rights of said company, either directly or indirectly.
2. “Executive” shall mean an Executive Director, Executive, or Executive Officer of a corporation or other organization, or a person or employee corresponding to such.
3. “Major business partner” shall mean a customer for which the value of transactions with the Company in any of the most recent three fiscal years accounted for 2% or more of consolidated net sales of the Company or of the customer.
4. “Major lender” shall mean a lender from which the Company had borrowed an amount equivalent to 2% or more of the total assets of the Company at the end of the most recent fiscal year.
5. “Substantial amount” shall mean an amount of ¥10 million or more annually.
6. “Close relative” shall mean a spouse, or relative within the second degree of kinship.

The Board of Directors selects independent outside Directors who are capable of providing appropriate advice from an independent standpoint, supervising all aspects of management, looking out for conflicts of interest, and contributing to constructive deliberations at meetings of the Board of Directors based on their knowledge, experience, and abilities in areas such as corporate management, finance/accounting, and law.

[Translation]

[Incentives]

Implementation of Measures to Provide  
Incentives to Directors

Performance-linked remuneration

Supplementary Explanation

At the 61st Annual General Meeting of Shareholders held on June 26, 2020, the Company resolved to revise its officer remuneration system, abolish the retirement benefit system for officers, and introduce a restricted stock remuneration plan for Directors (excluding Audit and Supervisory Committee Members).

As a result, the remuneration system for Directors (excluding Audit and Supervisory Committee Members), which had previously consisted of basic remuneration (fixed) and retirement benefits for officers, was revised to comprise three components: basic remuneration (fixed), performance-linked remuneration (short-term incentive), and share-based remuneration (medium- to long-term incentive).

For details on our officer remuneration system, please refer to “Disclosure of Policy for Determining Remuneration Amounts or Calculation Methods Thereof” below.

Recipients of Share Options

Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors’  
Remuneration

No individual disclosure

Supplementary Explanation **Updated**

The total amount of remuneration, etc. paid to Directors of the Company during the current fiscal year is as follows.

Directors: nine, Total amount of remuneration, etc.: ¥209 million

Total amount of remuneration, etc. by type (Basic remuneration: ¥134 million, performance-linked remuneration: ¥58 million, share-based remuneration: ¥16 million)

[Breakdown]

Directors (excluding Audit and Supervisory Committee Members): five, Total amount of remuneration, etc.: ¥185 million

Total amount of remuneration, etc. by type (Basic remuneration: ¥109 million, performance-linked remuneration: ¥58 million, share-based remuneration: ¥16 million)

[Translation]

Directors (Audit and Supervisory Committee Members): four (of which Outside Directors: four), Total amount of remuneration, etc.: ¥24 million

Total amount of remuneration, etc. by type (Basic remuneration: ¥24 million)

(Note 1) As a short-term incentive remuneration, we provide performance-linked remuneration to Directors (excluding Audit and Supervisory Committee Members). The primary performance indicators selected as the basis for calculating the amount of performance-linked remuneration are operating profit and consolidated return on equity (ROE) for the most recent fiscal years. These performance indicators were selected because operating profit is one of the Company's key performance indicators and is considered to provide a strong incentive effect as it directly reflects the results of our business activities. Consolidated ROE, together with operating profit, is also an important target management indicator and is considered to offer an effective incentive as it reflects capital efficiency in the current fiscal year. For these reasons, both indicators were deemed optimal for use in short-term incentive remuneration.

The amount of performance-linked remuneration is determined within a range of 0% to 250% of the standard amount set for each position, based on the degree of achievement of performance targets such as operating profit and consolidated ROE for each fiscal year, as well as the level of achievement of individual roles.

The trends in the Company's operating profit and consolidated return on equity (ROE) for the most recent fiscal years, including the current one, are as follows.

[Operating profit]

63rd term (FYE March 2022): ¥4,143 million, 64th term (FYE March 2023): ¥4,482 million, 65th term (FYE March 2024): ¥6,252 million, 66th term (FYE March 2025): ¥9,089 million

[Consolidated ROE]

63rd term (FYE March 2022): 10.9%, 64th term (FYE March 2023): 10.6%, 65th term (FYE March 2024): 14.3%, 66th term (FYE March 2025): 17.3%

(Note 2) As a medium- to long-term incentive remuneration, we provide share-based remuneration to Directors (excluding Audit and Supervisory Committee Members). Specifically, restricted shares are granted based on a standard amount set for each position. The details and status of these share-based remunerations are as follows.

[Status of Shares Delivered as Remuneration for the Execution of Duties During the Most Recent Fiscal Year]

3,177 shares delivered to four Directors (excluding Audit and Supervisory Committee Members)

Policy for Determining Remuneration  
Amounts or Calculation Methods Thereof

Updated

Yes

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Disclosure of Policy for Determining Remuneration Amounts or Calculation Methods Thereof

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The Company has established a policy regarding individual remuneration, etc. for Directors. The maximum total amount of remuneration, etc. for Directors is determined at the General Meeting of Shareholders, while the specific amounts to be paid to each individual are determined based on internal rules, taking into consideration the Company's performance, each Director's execution of duties, and other factors. Remuneration for Directors (excluding Audit and Supervisory Committee Members) is determined by the Board of Directors, while the remuneration for Directors (Audit and Supervisory Committee Members) is determined through discussions among Directors who are Audit and Supervisory Committee Members.

With respect to the policy for determining individual remuneration, etc. for Directors (excluding Audit and Supervisory Committee Members), the Board of Directors meeting held on March 24, 2021 resolved to adopt the policy based on advice from external experts and prior deliberations by the Audit and Supervisory Committee.

The Board of Directors confirms that the details of individual remuneration, etc. for Directors (excluding Audit and Supervisory Committee Members) are consistent with the above policy and that the recommendations of the Election and Remuneration Committee have been duly respected. Accordingly, the Board deems that the remuneration is in line with the policy.

An overview of the policy for determining individual remuneration, etc. for Directors is as follows.

a. Basic approach

The Company's remuneration system emphasizes linkage with business performance and medium- to long-term corporate value, as well as the sharing of value with shareholders.

In addition, the decision-making process ensures a high level of transparency and objectivity through the involvement of the Election and Remuneration Committee, a majority of whose members are independent outside Directors.

b. Composition and details of remuneration, etc.

The remuneration for the Company's Directors (excluding Audit and Supervisory Committee Members) consists of basic remuneration, performance-linked remuneration, and share-based remuneration.

The remuneration for Directors (Audit and Supervisory Committee Members) consists of basic remuneration only.

Basic remuneration (fixed) is paid monthly in a fixed amount determined according to the position held.

Performance-linked remuneration (short-term incentive) is paid once a year in the following fiscal year. The amount is determined within a range of 0% to 250% of the standard amount set for each position, based on the degree of achievement of performance targets such as operating profit and consolidated ROE, as well as the level of achievement of individual roles.

With respect to share-based remuneration (medium- to long-term incentive) intended to provide incentives for the Company's sustainable growth and the enhancement of its medium- to long-term corporate value, while also promoting greater value sharing between Directors and shareholders, restricted shares are granted according to the position held and corresponding to the service period (from the day following the Annual General Meeting of Shareholders to the day of the next year's Annual General Meeting of Shareholders). The timing of the grant is determined by the Board of Directors. The Company enters into a restricted share allotment agreement with each Director. This agreement stipulates that the shares shall be subject to transfer restrictions until the Director's retirement and that the shares must be transferred to the Company without compensation if certain grounds arise.

c. Ratio of remuneration, etc.

The ratio of fixed remuneration (basic remuneration) to incentive-based remuneration (performance-linked remuneration and share-based remuneration) for Directors (excluding Audit and Supervisory Committee Members) is generally set at approximately 2:1 to 1:1, depending on the range of the performance-linked remuneration (from the standard amount up to 250% thereof). Share-based remuneration accounts for approximately 10% of the standard remuneration amount. The higher the position, the greater the ratio of incentive-based remuneration.

d. Matters relating to delegation of determination of remuneration, etc.

To enhance the transparency and objectivity of the procedures for determining remuneration, etc. for Directors (excluding Audit and Supervisory Committee Members) and to ensure the appropriate involvement of independent outside Directors, the Election and Remuneration Committee shall determine the specific details of individual remuneration, etc. pursuant to a delegation of authority resolved by the Board of Directors. The Committee comprises all independent outside Directors (namely, Standing Audit and Supervisory Committee Member Ichiji Kawamura, Audit and Supervisory Committee Member Fumiko Kishimoto, and Audit and Supervisory Committee Member Michihiro Kudo) as well as Representative Director and President Ryosuke Shimada (the majority of whose members are independent outside Directors). The scope of this authority includes determining each Director's remuneration, etc. in accordance with internal rules, taking into consideration the Company's performance, each Director's execution of duties, and other factors.

With respect to share-based remuneration, the number of shares to be granted to each Director and the monetary amount thereof are determined by the Board of Directors based on the standard amount set by the Election and Remuneration Committee.

The reason for delegating these authorities is that the Company has determined that the Election and Remuneration Committee is capable of accurately assessing the Company's performance and each Director's execution of duties. This delegation ensures the transparency and objectivity of the procedures for determining individual remuneration, etc. for Directors, and the Board of Directors considers that the details of such remuneration are consistent with the determination policy.

[Translation]

[Matters relating to resolutions of the General Meeting of Shareholders concerning officers' remuneration, etc.]

The monetary remuneration for Directors (excluding Audit and Supervisory Committee Members) was resolved at the 56th Annual General Meeting of Shareholders held on June 26, 2015 to be no more than ¥330 million per year (excluding the employee portion of salaries for Directors who also serve as employees). As of the close of the Annual General Meeting of Shareholders, the number of Directors (excluding Audit and Supervisory Committee Members) was eight, none of whom were outside Directors.

In addition to the above monetary remuneration, at the 61st Annual General Meeting of Shareholders held on June 26, 2020, the amount of share-based remuneration was resolved to be no more than ¥30 million per year, with an upper limit of 40,000 shares annually. However, in the event of a stock split (including a free allotment of the Company's common shares) or a reverse stock split of the Company's common shares, the above total number of shares shall be adjusted as necessary within a reasonable range in accordance with the split ratio, reverse split ratio, or other relevant factors. As of the close of the Annual General Meeting of Shareholders, the number of Directors (excluding Audit and Supervisory Committee Members) was four, none of whom were outside Directors.

The monetary remuneration for Directors (Audit and Supervisory Committee Members) was resolved at the 56th Annual General Meeting of Shareholders held on June 26, 2015 to be no more than ¥50 million per year. As of the close of the Annual General Meeting of Shareholders, the number of Directors (Audit and Supervisory Committee Members) was three, all of whom were outside Directors.

#### **[Supporting System for Outside Directors]**

We provide support, primarily through the standing Audit and Supervisory Committee Member, to ensure that all Audit and Supervisory Committee Members receive the necessary information for each monthly committee meeting. This includes notifications of important internal meetings, and the circulation of approval documents and other documents related to business execution.

[Translation]

**[Status of Persons Retired From Representative Director and President, Etc.]**

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

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

Total Number of Retired Representative Director and Presidents, etc. Holding Advisory or Any Other Position in the Company

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**Other Matters**

Currently, there are no applicable individuals to be disclosed.

**2. Matters on Functions of Business Execution, Audit and Supervision, Nomination and Compensation Decisions (Overview of Current Corporate Governance System) Updated**

**(1) Summary of the system of corporate governance**

The Company is a company with an Audit and Supervisory Committee. Under this structure, the Board of Directors (comprising seven Directors, including four Directors excluding Audit and Supervisory Committee Members and three outside Directors who are Audit and Supervisory Committee Members) in principle meets once a month and additionally as necessary to make decisions on management policies, statutory matters requiring resolution by the Board of Directors, and other matters, and to supervise management from an independent standpoint.

In addition, the Executive Committee, composed of the Representative Director and President and Executive Directors in charge of operations at the head office, in principle meets once a month and additionally as necessary, to promptly deliberate and decide on important matters related to business execution.

The Audit and Supervisory Committee, which consists of three Audit and Supervisory Committee Members (Ichiji Kawamura, Fumiko Kishimoto, and Michihiro Kudo), meets once a month in principle. The Audit and Supervisory Committee monitors the status of internal audits and internal controls and audits the execution of duties by Directors, etc., by means of cooperation with the internal audit department and the Financial Auditor and on the basis of reports received from Directors who are not Audit and Supervisory Committee Members, etc. We have introduced an executive officer system in order to separate supervision from business execution, clarify the respective roles, and expedite decision-making, with executive officers playing a central role in business execution departments to ensure the thorough implementation of management policies, etc., resolved by the Board of Directors and to improve efficiency of business execution.

Furthermore, in order to strengthen the transparency, fairness, and objectivity of procedures related to the election of candidates for Directors and the remuneration of Directors (excluding Audit and Supervisory Committee



Members), as well as to enhance corporate governance, we have voluntarily established the Election and Remuneration Committee, which comprises all outside Directors (namely, Standing Audit and Supervisory Committee Member Ichiji Kawamura, Audit and Supervisory Committee Member Fumiko Kishimoto, and Audit and Supervisory Committee Member Michihiro Kudo; and chaired by Standing Audit and Supervisory Committee Member Ichiji Kawamura, an independent outside Director) as well as Representative Director and President Ryosuke Shimada, as an advisory body (the majority of whose members are independent outside Directors) to the Board of Directors.

The above information is also posted on our website under Investor Relations > Corporate Governance (<https://www.nihondengi.co.jp/ir/cgcode.html>) (in Japanese). The information is also available on our English website (<https://www.nihondengi.co.jp/en/ir/cgcode.html>).

## (2) Policy on the composition of the Board of Directors

In order for the Board of Directors to fulfill its roles and responsibilities (determination of basic management policies and supervision of management) and function in an effective manner, we have established the following policy regarding its composition.

### (i) Balance of skills

The composition should achieve a balance in terms of knowledge, experience, and abilities to ensure that the Board of Directors possesses the required skills in light of the management strategies, with the skills of Directors listed and disclosed in the form of a skill matrix.

### (ii) Independence

At least one-third of the Board of Directors should be composed of independent Outside Directors.

### (iii) Size

- Audit and Supervisory Committee Members: Three to four (independent outside Directors in principle) (Up to four in Articles of Incorporation)
- Executive Directors: Up to six (Up to 15 in Articles of Incorporation)
- The overall size of the Board of Directors is determined by taking into consideration factors such as diversity, continuity of management, speed of decision-making, and separation of management from execution.

### (iv) Diversity

- In order to deliberate on the appropriateness and risks of management strategies in an objective and multifaceted manner, and to supervise the execution of these strategies appropriately, the Board of Directors should be composed of a diverse range of human resources in terms of gender, work experience, age, etc., from within and outside the Company, while maintaining an appropriate size.
- Audit and Supervisory Committee Members elected as independent outside Directors should include at least one person with management experience at an external company, one person with sufficient knowledge of finance/accounting, and one person with knowledge of law.

The above information is also posted on our website under Investor Relations > Corporate Governance (<https://www.nihondengi.co.jp/en/ir/cgcode.html>).

(3) Criteria for election/dismissal of Director candidates

We have established the following criteria for the election and dismissal of Directors.

(i) Criteria for election of Director candidates

(a) All Directors

- 1) Directors must meet the relevant statutory requirements.
- 2) Directors must be in good physical and mental health.
- 3) Directors must have outstanding personal qualities, high ethical standards, and a law-abiding spirit.
- 4) Directors must possess skills required by the Board of Directors in light of the management strategies, etc.

(b) Executive Directors

Executive Directors must possess extensive knowledge, experience, and connections in the instrumentation business and industry, or extensive specialized knowledge and experience in governance, internal controls, capital markets, finance and accounting, IT/DX, and other aspects of business management of listed companies, as well as the ability to execute the management strategies determined by the Board of Directors.

(c) Directors who are Audit and Supervisory Committee Members

- 1) Directors who are Audit and Supervisory Committee Members must, in principle, be independent outside Directors who satisfy the Company's "Independence Standards for Independent Outside Directors."
- 2) Directors who are Audit and Supervisory Committee Members must be able to provide appropriate advice, supervise all aspects of management and look out for conflicts of interest, and contribute to constructive deliberations at meetings of the Board of Directors by drawing on their knowledge, experience, and abilities in corporate management, finance/accounting, law, etc.

(ii) Criteria for dismissal of Directors

Any Director whose ineligibility becomes apparent in light of the "Criteria for election of Director candidates" shall be dismissed.

In addition, with regard to the procedures for the election or dismissal of Directors, the Election and Remuneration Committee, which has been voluntarily established as an advisory body to the Board of Directors and comprises all independent outside Directors as well as the Representative Director and President, shall deliberate on the election/dismissal of the Director, and the Board of Directors shall make a decision on the proposal for the election/dismissal in question based on reports from the Election and Remuneration Committee. The above information is also posted on our website under Investor Relations > Corporate Governance (<https://www.nihondengi.co.jp/en/ir/cgcode.html>).

(4) Status of internal audits and audits by the Audit and Supervisory Committee

The Company's internal audits are conducted by the internal audit department, which consists of four members. In accordance with the Internal Audit Rules and audit plans, the department audits whether the operations of each internal department, subsidiary, and associate are being appropriately and effectively conducted in compliance with laws and regulations, the Articles of Incorporation, and internal rules. The results of internal audits are regularly reported to the Board of Directors.

In addition, the internal audit department closely shares information and exchanges opinions with the Audit and Supervisory Committee and the audit firm regarding audit policies, audit plans, and audit results, thereby deepening mutual understanding and enhancing the effectiveness of audits.

Regarding audits by the Audit and Supervisory Committee, the Committee monitors the status of internal audits and internal controls and audits the legality and appropriateness of the execution of duties by Directors, etc., by means of cooperation with the internal audit department and the Financial Auditor and on the basis of reports received from Directors who are not Audit and Supervisory Committee Members, etc. The Committee is composed of three outside Directors, including one full-time member and two part-time members. Furthermore, the Audit and Supervisory Committee Members attend meetings of the Board of Directors and other important meetings as necessary and review approval documents and other documents related to business execution, enhancing the effectiveness of the above audits.

The Audit and Supervisory Committee exchanges opinions with the Representative Director, the internal audit department, and the Financial Auditor in a timely manner to deepen mutual understanding and share information related to audits and other matters.

Michihiro Kudo, an outside Director who is an Audit and Supervisory Committee Member, is a certified public accountant and has considerable knowledge of financial affairs and accounting.

In addition, Fumiko Kishimoto, an outside Director who is an Audit and Supervisory Committee Member, is a qualified attorney and has considerable knowledge of legal matters.

(5) Independence Standards for Independent Outside Directors

For details, please refer to this report under "II. 1. Organizational Composition and Operation, [Independent Officers] Matters relating to Independent Officer," as well as the information on our website under Investor Relations > Corporate Governance (<https://www.nihondengi.co.jp/en/ir/cgcode.html>).

(6) Status of Financial Auditor

The Company has appointed Ernst & Young ShinNihon LLC as its Financial Auditor to conduct audits under the Companies Act and the Financial Instruments and Exchange Act.

The names of the certified public accountants who performed the audit during the current fiscal year, their length of continuous tenure, and the composition of assistants who participated in audits are as follows:

- Names of certified public accountants who performed the audit
  - Designated and Engagement Partner Koichi Yanai
  - Designated and Engagement Partner Tokuro Onohara

[Translation]

- Length of continuous tenure  
32 years
- Assistants who participated in audits  
Certified Public Accountant: five, Others: 14

Since the consecutive audit period is within seven years, the description is omitted. The audit firm has voluntarily implemented measures to ensure that its engagement partners do not participate in the Company's audits for more than a certain period of time.

(7) Policy and reason for electing the audit firm

The Audit and Supervisory Committee selected Ernst & Young ShinNihon LLC as the Company's audit firm based on an evaluation conducted in accordance with the "Practical Guidelines for Audit & Supervisory Board Members, etc. Regarding the Evaluation of an Accounting Auditor and the Formation of its Selection Standards" published by the Japan Audit & Supervisory Board Members Association, having concluded that the firm possesses the necessary expertise, independence, and qualifications.

In addition to cases arising from the Company's own circumstances, if the Financial Auditor is found to have violated or conflicted with laws such as the Companies Act or the Certified Public Accountants Act, or if the Financial Auditor is deemed to have engaged in conduct that contravenes public order and morals, the Audit and Supervisory Committee shall consider the dismissal or non-reappointment of the Financial Auditor based on such facts. If the Committee deems dismissal or non-reappointment to be appropriate, it shall deliberate on submitting a proposal for "Dismissal of the Financial Auditor" or "Non-reappointment of the Financial Auditor" to the General Meeting of Shareholders in accordance with the Audit and Supervisory Committee Rules.

In addition, if the Audit and Supervisory Committee determines that the Financial Auditor falls under any of the items specified in Article 340, Paragraph 1 of the Companies Act, the Committee shall dismiss the Financial Auditor based on the unanimous consent of all Committee members.

(8) Evaluation of the audit firm conducted by the Audit and Supervisory Committee

The Audit and Supervisory Committee evaluates the audit firm based on reports received regarding the status of audit execution, in accordance with the evaluation criteria exemplified in the guidelines issued by the Japan Audit & Supervisory Board Members Association.

(9) Details of audit fee

Fees for audit certification services related to the most recent fiscal year: ¥30 million

[Translation]

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

As described in “2-(1) Summary of the system of corporate governance,” the Company has established the Audit and Supervisory Committee composed of outside Directors to oversee the Board of Directors. The Company has also established the Election and Remuneration Committee as an independent advisory body to the Board of Directors to enhance the transparency, fairness, and objectivity of procedures related to the nomination and remuneration, etc. of Directors. Through these measures, the Company has adopted the current governance framework to further strengthen its corporate governance.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Energize General Meetings of Shareholders and Smooth Exercise of Voting Rights

**Updated**

	Supplementary Explanation
Early Notification of General Meeting of Shareholders	The Company is making efforts to send out the Notice of the General Meeting of Shareholders as early as possible. For the 66th Annual General Meeting of Shareholders held on June 26, 2025, the notice was dispatched on June 3, 2025, 23 days prior to the date of meeting.
Scheduling General Meeting of Shareholders Avoiding the Peak Day	The Company endeavors to schedule its General Meeting of Shareholders on a date that avoids the first peak date for shareholder meetings. The 66th Annual General Meeting of Shareholders was held on June 26, 2025.
Allowing Electronic or Magnetic Exercise of Voting Rights	The Company has adopted electronic or magnetic means for exercising voting rights at the General Meeting of Shareholders, including voting via the Smart Voting and an electronic proxy voting platform.
Participation in Electronic Voting Platform and Other Efforts to Enhance the Voting Environment for Institutional Investors	The Company has participated in the Electronic Voting Platform since the 65th Annual General Meeting of Shareholders held on June 26, 2024.
Providing Convocation Notice in English (Translated Partially)	The Company prepares the English version of the Notice of the General Meeting of Shareholders (in a narrow sense and the Reference Documents), which are made available on the Tokyo Stock Exchange website and on our English website under Investor Relations > General Meeting of Shareholders ( <a href="https://www.nihondengi.co.jp/en/ir/meeting.html">https://www.nihondengi.co.jp/en/ir/meeting.html</a> ).
Other	The Company is making efforts to disclose the Notice of the General Meeting of Shareholders as early as possible. The Notice of the 66th Annual General Meeting of Shareholders held on June 26, 2025 (including the English version) was made available on June 2, 2025, 24 days in advance, on the Tokyo Stock Exchange website, as well as on our website under Investor Relations > General Meeting of Shareholders ( <a href="https://www.nihondengi.co.jp/en/ir/meeting.html">https://www.nihondengi.co.jp/en/ir/meeting.html</a> ).

2. IR Activities **Updated**

	Supplementary Explanation	Explanation by Representative
Preparation and Publication of Disclosure Policy	<p>[Basic policy]</p> <p>We conduct IR activities and information disclosure with the basic policy of providing accurate information to all stakeholders, including shareholders and investors, in a prompt, fair, and easy-to-understand manner in compliance with the relevant laws and regulations.</p> <p>[Information Disclosure Criteria]</p> <p>We disclose information in an accurate and fair manner in accordance with the Companies Act, the Financial Instruments and Exchange Act, and the timely disclosure regulations stipulated by stock exchanges.</p> <p>We also strive to voluntarily disclose information that is not required by laws and regulations, as promptly and in as much detail as possible, if such information is deemed to contribute to the investment decisions of shareholders and market participants.</p> <p>[Method of Information Disclosure]</p> <p>We disclose information that falls within the scope of laws, regulations, and the timely disclosure regulations stipulated by stock exchanges via appropriate means, including by promptly publishing such information on the Company's website.</p> <p>Information that does not fall within the scope of laws and regulations is also disclosed through the Company's website and other means.</p> <p>[IR Quiet Period]</p> <p>To ensure fairness in our disclosures, we observe a "quiet period" from the day following the closing date of our financial results (including quarterly financial results) until the date of their public announcement.</p> <p>However, if a significant change in the earnings forecast is anticipated during the quiet period, we will disclose and announce the relevant information appropriately in accordance with the timely disclosure regulations and fair disclosure rules.</p>	

	Supplementary Explanation	Explanation by Representative
	<p>[Outlook for the Future]</p> <p>Information disclosed by the Company may include projections or other forward-looking statements on its future business performance. Please be aware that these statements are based on the Company's judgment using information available at the time of disclosure and may change due to future developments in economic conditions, market environments, or other factors.</p> <p>The above IR Policy is on our website under Investor Relations &gt; IR Policy (<a href="https://www.nihondengi.co.jp/en/ir/policy.html">https://www.nihondengi.co.jp/en/ir/policy.html</a>).</p>	
Regular Investor Briefings for Individual Investors	<p>We held an IR seminar (company information session) for individual investors on December 2, 2024.</p> <p>We plan to continue holding these sessions going forward.</p>	Yes
Regular Investor Briefings for Analysts and Institutional Investors	<p>We held a financial results briefing for analysts and institutional investors on May 27, 2025, regarding the previous fiscal year (fiscal year ended March 31, 2025). Presentation materials and videos from financial results briefings are available on our website under Investor Relations &gt; IR Materials &gt; Document for Financial Results Briefing (<a href="https://www.nihondengi.co.jp/ir/data/presentation.html">https://www.nihondengi.co.jp/ir/data/presentation.html</a>) (in Japanese). The information is also available on our English website (<a href="https://www.nihondengi.co.jp/en/ir/data/presentation.html">https://www.nihondengi.co.jp/en/ir/data/presentation.html</a>).</p>	Yes
Posting of IR Materials on Website	<p>We post a wide range of IR materials on our website, including summary of consolidated financial results, annual securities reports, long-term management guidelines, medium-term management plans, documents for financial results briefing, company research and analysis reports, financial and performance highlights (covering the past four years and current fiscal year forecasts), sustainability-related information, and stock price information. The information is also available on our English website (<a href="https://www.nihondengi.co.jp/en/ir/data/">https://www.nihondengi.co.jp/en/ir/data/</a>).</p>	



[Translation]

	Supplementary Explanation	Explanation by Representative
Establishment of Department and/or Manager in Charge of IR	<p>The Company's Chief Information Officer is the Director and General Manager of Planning and Management Division.</p> <p>The IR function is handled by the Corporate Communications Section within the General Affairs Department.</p>	
Other	<p>We provide information primarily on corporate and IR matters through our English website for overseas institutional investors.</p> <p>In addition, we prepare and publish English versions of summaries of consolidated financial results, documents for financial results briefings for analysts and institutional investors, and corporate information reports. These materials are made available on our English website (<a href="https://www.nihondengi.co.jp/en/ir/data/">https://www.nihondengi.co.jp/en/ir/data/</a>) and other channels.</p>	

### 3. Measures to Ensure Due Respect for Stakeholders **Updated**

	Supplementary Explanation
Provisions to Ensure Due Respect for Stakeholders in Internal Rules, etc.	<p>Based on its management philosophy, the Company has established various basic policies and internal rules related to management to ensure respect for the positions of stakeholders and to maintain appropriate relationships with them. In addition, the Company has established an internal reporting desk and maintains systems to promote compliance, risk management, and other relevant efforts.</p> <p>The Company also implements internal training and other measures as appropriate to prevent compliance violations and promote thorough compliance awareness.</p>
Implementation of Environmental Conservation Initiatives, CSR Activities, etc.	<p>The Company has established the Sustainability Committee, which is chaired by the Representative Director and President and operates under the Board of Directors. The Committee identified social issues and issues relevant to the Company's business, evaluated them from the perspective of stakeholders, and determined the following six material issues (materiality) classified as ESG. These issues were determined based on their alignment with the Company's long-term management guidelines and medium-term management plan. Through these efforts, the Company promotes sustainability management.</p> <p>Environment: "Contributing to a carbon-neutral society through instrumentation engineering"</p> <p>Social: "Using instrumentation engineering to contribute to the creation of smart factories"</p> <p>"Improving health, safety and quality"</p> <p>"Creating better working environments"</p> <p>"Contributing to communities and society at large"</p> <p>Governance: "Strengthening corporate governance"</p> <p>The above initiatives related to sustainability management are posted on our website under Sustainability at Nihon Dengi (<a href="https://www.nihondengi.co.jp/en/sustainability/">https://www.nihondengi.co.jp/en/sustainability/</a>).</p> <p>In addition to the above, the Company achieved postal cost savings through the use of online voting at the 65th Annual General Meeting of Shareholders held on June 26, 2024. The savings were allocated to a donation to the Japanese Red Cross Society as a social contribution activity in partnership with</p>

	Supplementary Explanation
	<p>shareholders. This initiative will continue, using the postal cost savings from at the 66th Annual General Meeting of Shareholders held on June 26, 2025.</p> <p>To promote respect for human rights, the Company established the “Nihon Dengi Group Human Rights Policy” on November 1, 2023.</p> <p>Furthermore, in March 2025, the Company made a donation to the Green Fund organized by the National Land Afforestation Promotion Organization. In February of the same year, in support of JETS ASSIST, a social contribution activity of the Chiba Jets with which we have an official partnership agreement, we invited students and their guardians from Funabashi Municipal Funabashi Special Needs School to watch a game and also held basketball classes at the school.</p>
Other	<p>[Promotion of Health Management]</p> <p>In September 2018, the Company established its “Health Declaration” and has since been promoting health and productivity management, aiming to enhance corporate value through the improvement of employee health. Based on our policy of creating a workplace environment where each employee can work actively in good physical and mental health, the Company has established a health management framework with the President in charge. We engage in various health management activities in cooperation with the health insurance society and industrial physicians. These efforts have been recognized through the Company’s selection as an “Outstanding Organization of KENKO Investment for Health (Large Enterprise Category)” by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi for six consecutive years, from March 2020 to March 2025.</p> <p>Details of our health and productivity management initiatives are available on our website under Corporate Information &gt; Health Management (<a href="https://www.nihondengi.co.jp/company/health.html">https://www.nihondengi.co.jp/company/health.html</a>) (in Japanese).</p>

## **IV. Matters Relating to Internal Control System**

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

The Company has developed its internal control systems based on the following basic policy for establishing such systems, as resolved by the Board of Directors.

- (1) Framework ensuring that execution of duties by Directors and employees complies with laws and regulations and the Articles of Incorporation
  - a. The Company shall establish a Corporate Behavior Charter and Guidelines for Corporate Behavior, as well as a Compliance Committee chaired by the Representative Director and President to ensure strict compliance with laws and regulations and corporate behavior based on high ethical standards and social decency.

We strive to maintain and enhance compliance awareness among officers and employees by providing regular education and training programs.

- b. The internal audit department audits whether the operations of each department are being conducted appropriately and effectively in accordance with laws and regulations, the Articles of Incorporation, and internal rules.
  - c. An internal reporting desk shall be established to receive reports and consultations regarding violations of laws and regulations or other forms of misconduct.
  - d. Strict disciplinary measures shall be taken against any such violations or misconduct.
- (2) Framework for storing and managing information related to execution of duties by Directors
  - a. Information related to the execution of duties by Directors shall be appropriately stored and managed in accordance with internal rules, including the Document Management Regulations and the Information Security Policy.
  - b. Important information subject to disclosure shall be disclosed in a timely and appropriate manner in accordance with applicable laws and regulations.

- (3) Policy and other framework for managing risks of loss

The Company shall establish internal rules related to risk management and shall set up a Risk Management Committee chaired by the Representative Director and President to build a risk management framework and manage various types of risks.

In the event of an emergency such as an accident or disaster, the Company shall establish a crisis management team or emergency response headquarters to ensure a prompt response.

- (4) Framework ensuring the efficiency of execution of duties by Directors
  - a. The Board of Directors and the Executive Committee shall, in principle, hold meetings once a month and convene extraordinary meetings as necessary to promptly deliberate and decide on management policies, important business execution matters, and other relevant issues.
  - b. The Company shall formulate management plans, clearly define the responsibilities and authority of each organization, and promote the appropriate use of IT to ensure the efficient execution of duties.

- (5) Framework ensuring the proper business operation of the corporate group consisting of the Company and its subsidiaries
  - a. With regard to the management of subsidiaries, the Company shall designate an internal department responsible for overseeing subsidiary operations and shall conduct such management in accordance with the Subsidiary and Associate Management Regulations.

In addition, to ensure the efficient management of subsidiaries, the Company shall provide necessary guidance and support, and receive reports on important management matters and other related matters.
  - b. Matters related to the risk management and compliance of subsidiaries shall be thoroughly addressed by utilizing the Company's risk and compliance management framework, as well as its internal reporting desk.
  - c. The internal audit department shall include subsidiaries in its audit scope, conduct audits on a regular basis, and report the results to the Board of Directors.
- (6) Matters concerning Directors and employees assigned to assist the Audit and Supervisory Committee in its duties upon request, and matters concerning the independence of such personnel and the effectiveness of instructions given by the Committee

When requested by the Audit and Supervisory Committee, the Company shall assign a Director or dedicated staff member to assist the Committee in its duties. Such personnel shall act in accordance with the instructions of the Audit and Supervisory Committee. Decisions on personnel matters such as transfers and performance evaluations of such individuals shall be subject to the consent of the Audit and Supervisory Committee.
- (7) System for Executive Directors and Employees to Report to the Audit and Supervisory Committee and Other Systems Associated with Reporting to Audit and Supervisory Committee
  - a. Executive Directors and employees of the Company and its subsidiaries shall report to the Audit and Supervisory Committee if they become aware of any matter that may cause significant damage to the Company, or other serious concerns.
  - b. Executive Directors and employees of the Company and its subsidiaries shall appropriately respond to requests from Audit and Supervisory Committee Members to report on the execution of their duties and other related matters.
  - c. The Company and its subsidiaries shall ensure that persons who report to the Audit and Supervisory Committee are not subject to any disadvantage as a result of such reporting.
- (8) Other systems to ensure effective audits by Audit and Supervisory Committee
  - a. Audit and Supervisory Committee Members shall attend meetings of the Board of Directors and other important meetings as necessary to express their opinions and provide reports, and shall also review approval documents and other documents related to business execution. They shall also exchange opinions with the Representative Director and the internal audit department in a timely manner to deepen mutual understanding and share information related to audits and other matters.
  - b. The Company shall appropriately handle advance payments and reimbursements of expenses incurred in the execution of duties by Audit and Supervisory Committee Members, as well as other expenses or liabilities arising from such duties.

[Translation]

(9) System for ensuring reliability of financial reporting

The Company shall establish an internal control system to ensure the reliability of financial reporting and the effective and appropriate submission of internal control reports in accordance with the Financial Instruments and Exchange Act. The Company shall also continuously evaluate the proper functioning of the system and implement necessary corrective measures.

(10) System for eliminating anti-social forces

The Company shall establish a system for eliminating anti-social forces, renounce any involvement with anti-social forces that pose a threat to the order and safety of civil society, and resolutely reject any unjust demands.

## **2. Basic Approach on Eliminating Anti-Social Forces and Progress of Related Efforts**

The Company's basic approach to eliminating anti-social forces and the status of its preparation are as follows.

(1) Basic approach

It is as described in IV-1 "Basic Approach on Internal Control System and Progress of System Development" (10) "System for eliminating anti-social forces."

(2) Preparation status

The Company has established a basic policy and response measures regarding the elimination of anti-social forces in its Corporate Behavior Charter and internal rules. The General Affairs Department is designated as the department responsible for coordinating responses, and a person in charge of preventing unjust demands has been appointed. Additionally, each branch and office has a designated officer responsible for preventing intervention by anti-social forces, thereby establishing a comprehensive organizational framework.

In addition, the Company collaborates with external specialized agencies, such as the police, to actively work on eliminating anti-social forces.

[Translation]

## **V. Other**

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

Adoption of Anti-Takeover Measures	Not adopted
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Supplementary Explanation
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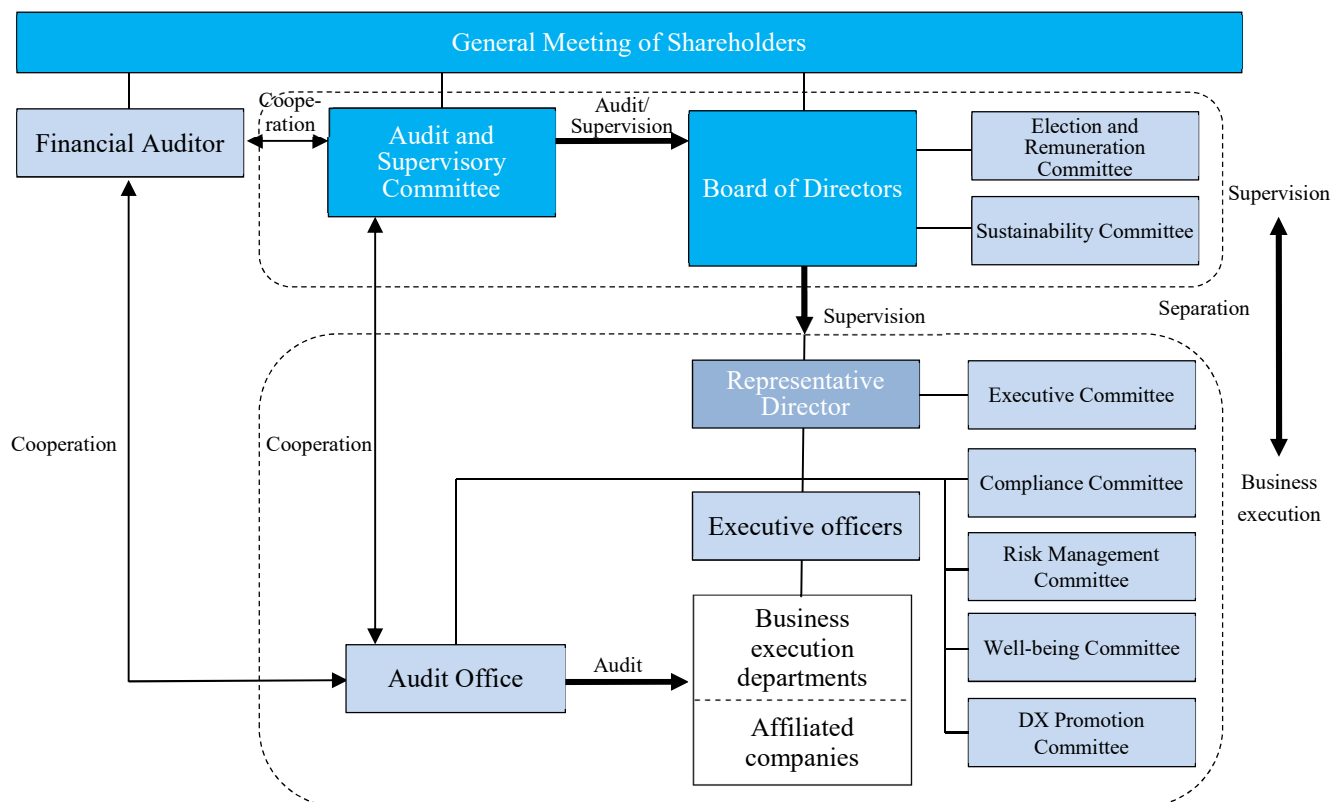
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### **2. Other Matters Relating to Corporate Governance System**

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## “Corporate Governance System”





## “Timely Disclosure System”

