Last Update: Sep 25, 2026

NIPPO LTD.
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https://www.nip.co.jp/english/

The corporate governance of NIPPO LTD. (the "Company") is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information

1. Basic Views

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

Disclosure Based on each Principle of the Corporate Governance Code

【Principle 1.3 Basic Strategy for Capital Policy】
【Principle 5.2 Establishing and Disclosing Business Strategies and Business Plans】

1. Basic Strategy for Capital Policy

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

2. Establishing and Disclosing Business Strategies and Business Plans

(1) Cost of Capital

・Regarding our cost of shareholders' equity, we had previously recognized it as approximately 9% during the period of the Medium-Term Management Plan 2025. However, supported by the achievement of our major milestone of annual operating profit of JPY 2.0 billion and the increasing stability of our earnings base, our cost of shareholders' equity has declined to approximately 7%.

We believe that this reduction in the cost of shareholders' equity, reflecting lower market-perceived risk, together with improvements in capital efficiency indicators such as ROE, will contribute to the further enhancement of corporate value.

On the other hand, we continue to recognize as a challenge that the market has yet to fully appreciate our dual business model, which combines both manufacturing and trading functions. As a result, our

Company is categorized as a "specialized trading company," a sector that generally tends to be assigned relatively low PER valuations.

・Rather than focusing on single-year results, we aim to achieve the quantitative targets established on a cumulative three-year basis under our medium-term management plans and steadily enhance our earning power, thereby realizing sustainable long-term growth. To achieve this goal, we will strengthen our manufacturing capabilities in line with our business portfolio strategy and expand our new business segment, the Eco Products business, thereby shifting our business portfolio toward areas with higher growth potential and profitability. At the same time, while maintaining an appropriate balance between proactive growth investments and shareholder returns, we will work to sustainably achieve ROE that exceeds our cost of shareholders' equity.

(2) Long-term Business Targets for 2031（Announced and established on November 5, 2024）

① Long-term Vision —What We Aspire to Be

・An essential company that delivers unique value to help clients further their manufacturing businesses and help society achieve sustainability.

② Future Strengths

・To our established strength in superior QCD developed over long years of manufacturing experience and sales methodology focused on delivering solutions to clients' technical issues, we will add New products, materials and services born from Nippo's unique ideas

③Basic Policy

a. Growing manufacturing as a share of total sales

・Our aim：To be reclassified on the Tokyo Stock Exchange from wholesale to manufacturing

・Indicator：Increase the proportion of manufacturing business sales in consolidated sales from the current 1/2 to more than 2/3 by fiscal year 2031

b. Launch & expand a new segment: eco-products

・Our aim：To use our business as a vehicle for environmental protection

・Initiative：We will launch an eco-products division to manufacture and sell products and key modules developed with partner companies and universities so as to help protect the environment. Resources will be added as required to get the new division up and running.

c. Review balance of financial discipline and growth investment to facilitate more aggressive investment in growth

・Our aim：To boost momentum in corporate growth

・Criteria：The maximum net D/E ratio = 0.6

※The specific targets for key management indicators will be announced in our Medium-Term Management Plan.

※The new Eco-products section will be added to our segment reporting scheduled to begin during the period covered by Medium-Term Management Plan for 2028.

※The Long-term Business Targets for 2031 is available at our website.

(https://www.nip.co.jp/english/ir/.assets/vision2031_en.pdf)

(3) Medium-Term Management Plan 2028 (April 1, 2026 – March 31, 2029)

① Quantitative Targets

・We have established as our quantitative targets a cumulative three-year consolidated operating profit of JPY 6.5 billion, representing profit from our core business, and an average three-year ROE (Return on Shareholders' Equity) of 12.0% or higher, an indicator of capital efficiency. We are implementing a range of initiatives to achieve these targets. In addition, for the final year of the Medium-Term Management Plan 2028, we have set targets of annual net sales exceeding JPY 50.0 billion and annual operating profit of JPY 2.3 billion.

＜Results of the Medium-Term Management Plan 2025 and Quantitative Targets of the Medium-Term Management Plan 2028＞

		Medium-Term Management Plan 2025 (Results)	Medium-Term Management Plan 2028 (Targets)	Growth Rate
1	Consolidated Operating Income (Cumulative 3-Year Total)	5.96bJPY	6.50bJPY	109.1%
2	ROE (3-Year Average)	11.9%	12.0% or higher	101.0%

* ROE figures have been revised and presented on the basis of Return on Shareholders' Equity.

② Business Strategy

・We will focus on the three key business segments of Electronics, Mobility, and Medical & Precision Devices, while pursuing initiatives to establish new competitive strengths in each segment. In addition, we will aim to expand the Eco Products business and grow it into our fourth business pillar.

・We will strategically allocate management resources to businesses with high growth potential in operating profit (in absolute terms) within each business segment and accelerate the shift of resources toward growth-driving businesses. In addition, we will downsize or withdraw from businesses in each segment that do not contribute to growth in operating profit or whose contribution is no longer expected over time.

・We will establish management indicators that take into account our cost of capital and, in order to ensure a clear linkage between these indicators and business operations, set operating

profit growth targets for each business segment. On this basis, the Board of Directors will oversee initiatives to enhance corporate value over the medium to long term, as well as the regular review of our business portfolio.

＜Core and Growth Businesses by Segment＞

Segment	Growth Drivers	Initiatives in Core and Growth Businesses
Electronics	Generative AI-related demand × Semiconductor and wiring board materials	・Ensuring a stable supply of semiconductor materials and wiring board materials ・Strengthening the manufacturing business ・Increasing production capacity for the wafer polishing carrier business ・Expanding the lineup of the film processing business, etc.
Mobility	Responding to the multi-pathway approach (continued use of internal combustion engines) + brake-related components	・Meeting demand for fuel injection components by adjusting the production layout ・Expanding mass production of new components for regenerative cooperative braking and ABS ・Developing key modules in the CASE field (sensor-related and electromagnetic control-related)
Medical and Precision Devices	New customer development × Development of key modules for medical equipment	・Expanding new orders for disposable medical products ・Expanding orders for units for medical robots ・Developing biocompatible materials
Eco Products	LIMEX pellets, an environmentally friendly material + Business development related to metal-air batteries	・Mass production of LIMEX pellets at the Vietnam Factory ・Expanding sales of hydrogen energy-related merchandise and developing electrodes for metal-air batteries and next-generation metal-air batteries
✓We will downsize or withdraw from businesses in each segment that do not contribute to growth in operating profit or whose contribution is no longer expected over time. ✓In addition, we will also assess products for which it is not possible to improve deterioration in profitability due to rising material costs, labor costs, utility costs, etc.		

③ Investment Plan

・Investment for the maintenance and replacement of current businesses

Planned within the range of depreciation expenses in each fiscal year

・Growth Investments

Effectively utilize the cash generated during the period of the Medium-Term Management Plan 2028 and plan growth investments to expand the manufacturing business in line with the business portfolio, as well as investments in the growth foundation.

＜Main Uses of the JPY 4.0 Billion + α Growth Investment Framework＞

■Investment aimed at expanding the manufacturing business

Electronics	・Increasing production capacity for wafer polishing carriers ・Development of in-house planned products (process jigs)
Mobility	・Increasing production capacity for fuel injection components ・Adding production lines for new brake components ・Development of medical equipment modules ・Automation equipment
Medical and Precision Devices	
Eco Products	・Development of hydrogen energy-related products ・Preparation for launching metal-air battery-related businesses

■Investments in the growth foundation

・Additional R&D facilities and equipment

・DX investment (Use of IoT/AI at factories, etc.), and others

■M&A, alliances, etc.

・When making investments necessary to strengthen functions in each segment other than those above, we will invest flexibly based on the financial discipline established in Long-term Management Goal 2031.

・We will carefully select and execute the investments necessary to maintain and expand our existing businesses and support future growth, while generating returns that exceed our cost of shareholders' equity, which is approximately 7%.

④ Human Capital

・Strengthen human resources responsible for creating unique value, improve productivity, and reinvest the benefits of improved compensation and engagement into further human capital investments.

・Aim to create a virtuous cycle of human capital investment and enhanced corporate value.

⑤ Basic Policy on Shareholder Returns

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

＜Target for Shareholder Returns under the Medium-Term Management Plan 2028＞

・During this period, we aim to continuously increase dividends while maintaining a payout ratio of around 50%.

	Dividend per share	Payout ratio
FY2026	79JPY	Around 50%
FY2027	82JPY	
FY2028	85JPY	

⑥ Capital Allocation

・We will effectively utilize the cash generated for proactive growth investments in line with our business portfolio and provide shareholder returns through continuous dividend increases, thereby improving net cash and aiming to achieve sustainable corporate growth and enhance corporate value.

*For details of the Medium-Term Management Plan 2028, please refer to our website.

https://www.nip.co.jp/english/ir/.assets/chukei2028_en.pdf

【Principle 1.4 Cross-Shareholdings】

1. Policy on Cross-Shareholdings

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

2. Criteria for Exercising Voting Rights on Cross-shareholdings

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

【Principle 1.7 Related Party Transactions】

1. Basic Policy on Related Party Transactions

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

【Principle 2.4.1 Ensuring Diversity in the Core Human Resources】

１． Ensuring Diversity in Core Human Resources

(1) Policy on Diversity in Hiring of Core Personnel

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

(2) Metrics and Goals

We believe that having multiple perspectives—in other words, diversity—in core personnel, boosts organizational effectiveness. While our overseas subsidiaries have made progress in promoting female employees to management positions, the percentage of female directors and managers at Nippo in Japan (non-consolidated) was only 5.9% at the end of FY2025. This remains a challenge, but we are working to improve. For instance, it is our priority to build a pool of female employees and ready them for such positions; we do this by making women a larger percentage of those on the career-track and in specialist positions, which are candidates for future directorships and management positions, and promoting more women to assistant manager and having them begin leading teams of staff.

・Ensuring Diversity in Core Human Resources

	FY2025 Results	FY2028 Target
Percentage of woman employees in career-track and professional positions （not including managers）	12.2%	20%
Percentage of woman employees among employees at assistant manager level （including general staffs）	38.5%	40%

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

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

・Initiatives

The company introduced a system under which employees can be exempted from transfer to other regions, thus facilitating the establishment of career paths in which employees can choose working styles that suit their life plans and apply their management and specialist work skills without compromising a viable balance of home life, childcare, and work.

２． Measures to Ensure Diversity

The NIPPO Group's employees—who we consider to be our technical innovators—are the source of our competitive advantage. Through "unique value creation," we aim to evolve into an "Essential Company" that advances our clients' manufacturing and supports the realization of a sustainable society through the active participation and diverse perspectives of each employee as well as their mutual coexistence and cooperation. In order to continue this practice, the NIPPO Group is placing even greater focus on efforts to strengthen human capital and increase diversity.

（1）Policy for Ensuring Diversity

①Policy for Developing human resources who can create unique value

・Developing human resources who can create unique value.

We are committed to developing employees who can combine diverse perspectives and strategic thinking to generate "1+1=3" unique value, fostering a high-engagement workplace where collaboration maximizes individual potential, while also recruiting and developing highly specialized talent to maintain and enhance our technological competitiveness.

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

・Creating a workplace environment where employees can work safely and securely

We consider safety and security to be a basic condition for continuously creating unique value, and will introduce and review personnel systems while promoting work style reforms to create a comfortable working environment.

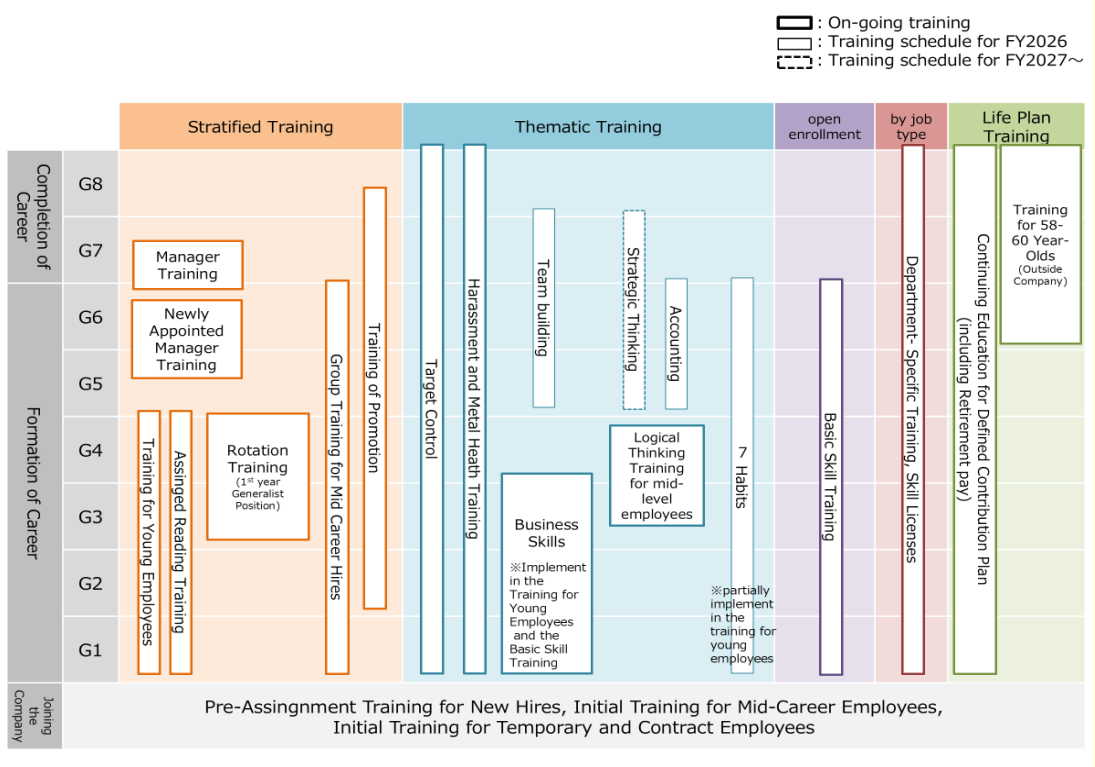
・Creating a workplace environment where everyone can play an active role

We believe that enabling all employees — regardless of position, career, or age — to thrive with diverse perspectives is essential to continuously creating unique value, and will introduce and review personnel systems to create an environment where everyone can play an active role.

・Establishing an evaluation and reward system that encourages challenges

To continuously foster a culture of challenge, we will implement fair evaluation and compensation through job grading and goal management systems. In particular, through performance-linked rewards, incentive programs, and exceptional talent-based appointments, we will build a virtuous cycle where those who create unique value are highly recognized and motivated to take on the next challenge.

<FY2026 Human Resource Development System>



（2）Metrics and Targets

①Developing Human Resources Who Can Create Unique Value

・ Enhancing Employee Training

Metrics	FY2025 Results	FY2028 Target
Participation rate of level-specific training	99.4%	100%
Participation rate of training for managers	100%	100%

<Initiatives>

▸Stratified Human Resource Development System

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

▸Developing Candidates for Management

For the purpose of improving the organization's ability to achieve goals, we conduct training in line with the training system.

▸Recruiting and Developing Highly Specialized Talent

Securing talent in highly specialized fields is one of our most critical management priorities, directly linked to maintaining and enhancing our technological competitiveness as we strengthen our manufacturing capabilities. In addition to recruiting job-ready specialists, we are continuously committed to developing highly specialized talent through expanded in-house training programs and support for obtaining professional qualifications.

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

・ Increasing the Childcare Leave Rate

Metrics	FY2025 Results	FY2028 Target
Male Employees	66.7%	100%
Women Employees	100%	100%

＜Initiatives＞

We are committed to building systems and a workplace environment that enable employees to take leave for childbirth, childcare, or other reasons without anxiety, and to return to work smoothly.

・ Initiatives to Improve Mental Health and Employee Satisfaction

Metrics	FY2025 Results	FY2028 Target
Stress Check Index ※1	95	≦95
Employee Satisfaction ※2	58.4%	≧65%
High Stress Percentage ※3	15.3%	＜10%
Turnover Rate ※4	5.3%	＜5%

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

※2 Employee Satisfaction: Index of job satisfaction based on stress checks (percentage of employ are “satisfied” or “somewhat satisfied” with their jobs)

※3 High Stress Percentage: Percentage of “employees deemed to be highly stressed” according to checks

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

＜Initiatives＞

Recognizing that the mental health of our employees is a fundamental condition for their own well-being and that of their families, as well as for maintaining a vibrant workplace, we are

committed to promoting mental well-being — not only through the prevention of mental illness, but also through initiatives to enhance communication in the workplace.

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

As we believe a multifaceted perspective enhances an organization's effectiveness, one aim is to increase the percentage of women in management positions, career-track and professional positions as well as employees at assistant manager level as explained in【Principle 2.4.1 Ensuring Diversity in the Core Human Resources】”１． Ensuring Diversity in Core Human Resources”.

＜Initiatives＞

We have introduced an open application-based internal project formation system, an internal dual-role system, and an internal internship program as frameworks that allow anyone interested to take on new challenges and gain successful experiences, transcending the boundaries of job categories and specializations. Through discussions that bring together diverse perspectives, we aim to generate the "1+1=3" kind of "unique value" that goes beyond the sum of individual contributions.

④Establishing an evaluation and reward system that encourages challenges

We are working to establish evaluation criteria that assess not only goal achievement but also the attitude and process of taking new steps, encouraging employees engaged in unique value creation to embrace challenges, reflecting their challenges and growth in compensation, and linking this with other initiatives such as "building a system where anyone can take on challenges and gain successful experiences."

＜Initiatives＞

Since FY2023, we have been refining our Special Promotion System to open early promotion opportunities for employees who demonstrate exceptional motivation and results beyond standard criteria. Employees who consistently exceed their regular roles and already perform at a higher grade level are recommended as special promotion candidates. In FY2025, five employees were promoted through this system, contributing to greater growth motivation and work engagement across our workforce.

For specific activities (topics) related to “Ensuring Diversity in the Core Human Resources”, please refer to our website (https://www.nip.co.jp/english/esg/.assets/esg_torikumi_en.pdf)

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

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

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

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

【Principle 3.1 Full Disclosure】

1. Company Objectives (Management Philosophy, Etc.), Management Strategy, and Management Plans

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

■Management Philosophy

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

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

■Management Policy

（Policies indicating "the reason for our company's being" and "the direction for our efforts"）

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

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

■Code of Conduct

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

Customer Creed

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

Basic Consciousness

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

Fairness

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

Taking on Challenges

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

Speed

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

Communication

Share information and knowledge and discuss them thoroughly.

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

(1) Basic Views on Corporate Governance

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

(2) Basic Policy on Corporate Governance

In light of the purpose of the Corporate Governance Code, which is to contribute to the development of companies, investors, and the economy as a whole through autonomous efforts toward sustainable growth and the enhancement of corporate value over the mid- to long term, our basic policy is to make a genuine effort to address the requirements of each principle, and to disclose our reasons in cases where we are unable to, or decide not to, take prompt action.

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

Regarding the representative directors' and executive directors' compensation, on March 22, 2024, the Board of Directors partially revised an Executive Compensation System (monetary compensation) that includes incentives linked to the mid-to-long-term business performance aimed at enhancing medium- to long-term corporate value and realizing sustainable society established on May 19, 2023. And the revised system have been applied since July 2024.

① Monetary Compensation

a) Representative Director and Executive Directors

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

Method of Calculation

A. Fixed Compensation

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

B. Incentive-based Compensation

・The base amount of incentive compensation shall be calculated by multiplying average consolidated net income for the past five years by the standard payment coefficient (maximum 5%).

・The total amount of incentive-based compensation shall be the amount obtained by multiplying this base amount by the weights and rates shown in the table below.

・In principle, the amount of incentive-based compensation paid to each director shall be an amount calculated
by adding the total amount of incentive-based compensation to the ratio for directors' fixed compensation stipulated in A above.

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

b) Non-executive Directors

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

② Changes in Evaluation and Evaluation Criteria

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

At the Board of Directors meeting held on June 24, 2021, the Board resolved to establish a Nomination and Compensation Committee composed of directors including the president and the chairperson of the Audit and Supervisory Committee, as an advisory body to the Board of Directors. The Committee is responsible for submitting recommendations to the Board of Directors regarding the evaluation of the performance of duties by Directors (excluding Directors who are Audit and Supervisory Committee Members) and any changes to the evaluation criteria.

In addition, the Committee's membership includes at least two Independent Outside Directors, and Independent Outside Directors constitute a majority of its members.

b) Directors (Audit and Supervisory Committee members)

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

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

①-1 Selection Criteria (Apply to All Positions)

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

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

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

①-3 Selection Criteria (Outside Directors)

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

② Grounds for Dismissal

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

③ Approach to Board Composition, Etc.

- The company will appoint as outside directors those who have extensive experience in fields that contribute to the Company's sustainable growth and enhancement of corporate value over the mid- to

long-term, such as management strategy, business strategy, accounting/finance/tax, IR/ESG, personnel & labor/human resources development, and legal affairs/intellectual property/risk management.

- The Audit and Supervisory Committee shall have a majority of outside directors.
- At least two independent outside directors shall be appointed.

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

- Director candidates to be proposed at the General Meeting of Shareholders shall be determined by the Board of Directors, based on the Company's selection criteria and its approach to the composition of the Board of Directors, etc., following deliberation by the Nomination and Compensation Committee, which is composed of directors including the president and the chairperson of the Audit and Supervisory Committee.
- Motions to dismiss directors tabled at general meeting of shareholders shall be decided on by the Board of Directors.

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

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

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

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

【Principle 3.1.3 Initiatives on Sustainability】

【Principle 4.2.2 Basic Policy for the Company's Sustainability Initiatives】

【Principle 5.2.1 Basic Policy Regarding the Business Portfolio and the status of the review of such portfolio.

1. Sustainability Policy

The NIPPO Group's management philosophy expresses our mission to promote both prosperity for our company and happiness for our staff and associates by creating new value so as to repay society for its blessings. We have established the following policies as sustainability policies based on our "Compliance Declaration and Code of Conduct, "which we are bound to follow as a good corporate citizen, and commit

ourselves through our business activities to enhancing our medium-to long-term corporate value and bringing about a sustainable society in accordance with the SDGs.

Social Policies	・We understand and respect the basic human rights guaranteed by Japan's Constitution and the laws and regulations of each individual country, as well as the basic human rights stipulated in international guidelines. ・We respect every country's and region's culture and customs, and we strive to harmonize with and contribute to our local communities in cooperation with our diverse stakeholders.	
Environmental Policies	・We promote business activities that help protect the global environment and continuously work to improve such activities. ・We are proactive in dealing with the risks of climate change and strive to reduce CO2 emissions in the process of manufacturing and selling our products and materials.	
Stakeholder Policies	Customers	With our new challenge of “creating and providing unique value,” we support our customers‘ manufacturing businesses, and contribute to technological development and fuller, more convenient lifestyles around the world.
	Suppliers	We strive to build relationships as a trusted business partner based on the spirit of fairness and the philosophy of mutual prosperity through free and equitable business dealings.
	Employees	We adhere to the principle of mutual respect for one another's values and thinking, regardless of nationality, race, gender, age, religion, and other differences. We are committed to creating a workplace environment where employees can work with peace of mind as they take on challenges together, supporting our employees in their aim to build more enriching lives.
	Shareholders/ Investors	We disclose information to our shareholders and investors in a timely and appropriate manner and emphasize constructive dialogue aimed at enhancing medium to long-term corporate value.
	Local Community	As a good corporate citizen with roots in the community, we actively engage in programs that contribute to society.

2. Basic Policy Regarding Our Business Portfolio

(1) With our focus on the three business segments of Electronics, Mobility, and Medical and Precision Devices, we take on the challenge of creating a competitive advantage in these domains while aiming to expand our business by getting Eco Products business on track and grow it into our 4th core businesses.

(2) In each business segment, we will strategically invest management resources to businesses exhibiting high potential for growth and profitability and promote the shift of resources to these domains. Simultaneously, we plan to downsize or withdraw from businesses in each segment that does not

contribute directly or indirectly to the growth of operating income (amount) or that is deemed unlikely to make a commensurate contribution over time.

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

3. Value Creation Process

The NIPPO Group operates through three core business segments, Electronics, Mobility, and Medical & Precision Devices, while striving to expand the Eco Products business and grow it into our fourth business pillar. As a "Technical Innovator" supporting the evolution of our customers' manufacturing, we will continue to create and deliver unique value that provides added value beyond our customers' expectations through our commitment to think, select, and create, thereby contributing to the enhancement of corporate value over the medium to long term and the realization of a sustainable society.

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

(https://www.nip.co.jp/english/esg/.assets/esg_torikumi_en.pdf)

4. Investment in Human Capital

Being a "Technical Innovator"—our business identity—means embodying a business style in which we "think, select, and create" "distinctive value," underpinned by our technical capabilities and strategic thinking. The presence of employees who embody this identity is the Company's core strength. We flexibly invest in human capital within the framework of 【Principle 1.3 Basic Strategy for Capital Policy】 and 【Principle 5.2 Establishing and Disclosing Business Strategies and Business Plans】 "2(2)③Investment Plan."

Accordingly, our policy is to:

- Ensure the health and safety of work environments for employees
- Endeavor to provide training and education as stipulated in item 【Principle 2-4① Ensuring Diversity in Hiring of Core Personnel】 "(2)① Develop human resources who can create unique value" of section 2. "Initiatives aimed at securing diversity".
- Support employees' efforts to build rewarding lives.

5. Investment in Intellectual Property

Intellectual property is essential to our efforts to create a sustainable competitive advantage, and we have established a system to encourage invention and creation by employees and to generate motivation for research based on our Invention and Design Regulations. As we see it, intellectual property is not limited to inventions and devices, but also includes the creation of new know-how and the development of technologies

and components through alliances with partners. That's why we take a flexible approach to investing in intellectual property within the framework of【Principle 1.3 Basic Strategy for Capital Policy】and【Principle 5.2 Establishing and Disclosing Business Strategies and Business Plans】"2(2)③Investment Plan.".

【Principle 4.1.1 Scope and Content of the Matters Delegated to the Management】

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

1. Resolution of the Board of Directors

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

(1) Matters to be Resolved by the Board and Matters related to important operations

① Establishment, revision, or abolition of important rules and regulations

② Investments of 100 million yen or more per transaction

③ External loans, debt guarantees, and the establishment of important security interests of 100 million yen or more per case

④ Waiver of debts of 50 million yen or more per case

⑤ Providing free profit of 5 million yen or more per case (including donations)

⑥ Conclusion of important contracts pursuant to the preceding four items

⑦ Other matters deemed necessary by the Board of Directors

(2) Important matters concerning subsidiaries as set forth in the "Affiliated Company Management Regulations"

① Deciding basic management policies

② Establishment, revision, or abolition of the articles of incorporation

③ Acquisition of licenses for management or business

④ Increase or decrease of capital

⑤ Establishment, relocation and abolition of subsidiaries companies and related company, etc.

⑥ Cash dividends

⑦ Items ② through ⑦ of (1) above.

⑧ Litigation, Conciliation and Arbitration, etc., and Dispute Resolution Pertaining to Multiple Labor Relations

⑨ Establishment of rules and regulations contrary to the Company's rules and regulations

2. Summary of Matters Delegated to Directors

① Matters involving amounts less than the base amount set forth in (1)② through ⑤ and in (2)⑦ of the Board of Directors' resolutions

② Matters pertaining to management organization, division of duties, and authority

③ Matters pertaining to personnel and labor affairs of employees (excluding appointment and dismissal of executive officers and subsidiary directors)

④ Transactions and matters incidental to transactions

⑤ Matters that director is authorized to handle by laws and regulations, Nippo's Articles of Incorporation, and shareholder meeting resolutions, as well as matters pertaining to the operation of regulations, etc.

⑥ Other matters pertaining to the operation of Board of Directors resolutions

【Principle 4.8 Effective Use of Independent Directors】

Nippo's Board of Directors is made up of 7 directors: 5 inside directors and 2 independent outside directors. As summarized in "1. Approach to Board Composition, Etc." below, we believe that at least two independent outside directors should be appointed so that the Board may receive active opinions that contribute to the Company's sustainable growth and the enhancement of corporate value over the mid- to long-term.

1. Approach to Board Composition, Etc.

- The Company will appoint as outside directors those who have extensive experience in fields that contribute to the Company's sustainable growth and enhancement of corporate value over the mid- to long-term, such as management strategy, business strategy, accounting/finance/tax, IR/ESG, personnel & labor/human resources development, and legal affairs/intellectual property/risk management.
- The Audit and Supervisory Committee shall be composed of a majority of outside directors.
- At least two independent outside directors shall be appointed.
-

【Principle 4.9 Independence Standards and Qualification for Independent Directors】

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

1. The director is an executive of Nippo or its subsidiaries (hereinafter "the Nippo Group")*[1]
2. The director is a major shareholder of the Nippo Group (i.e., directly or indirectly holds 10% or more of total voting rights), or is an executive of a major shareholder
3. The Nippo Group directly or indirectly holds 10% or more of total voting rights in the director's company, or is an executive thereof

4. The director is a major business partner of the Nippo Group*[2], or is an executive thereof
5. The Nippo Group is a major business partner of the director*[3], or is an executive in a major business partner of the director
6. The director belongs to an auditing firm that serves as the Nippo Group's accounting auditor
7. The director is an attorney, certified public accountant, tax accountant, consultant, or other professional receiving monetary or material benefits from the Nippo Group other than executive compensation
8. The director belongs to a corporation, partnership, or other organization such as a law firm, auditing firm, tax accounting firm, or consulting firm, that receives monetary or material benefits from the Nippo Group
9. The director receives donations or grants from the Nippo Group, or is a director or other executive of a corporation, partnership, or other organization that receives donations or grants from the Nippo Group
10. The director is an executive officer or executive managing director of the Nippo Group serving concurrently as an outside director or outside member of the Audit and Supervisory Committee of another company, and constitutes an executive of such other company
11. Any of items 2 through 10 above applied to the director in the past three years
12. The director is the spouse or relative (up to the second degree of kinship) of any person to whom any of items 1 through 10 above applies, and such person occupies an important position*[4]

*1. An "executive" is a director, executive officer, corporate officer, executive employee, a corporation or other organization, or a person who holds a position corresponding to the foregoing, and who has been a member of the Nippo Group within the past ten years.
*2. A "major business partner of the Nippo Group" is a business partner that accounted for 2% or more of the Nippo Group's annual consolidated sales in the most recent fiscal year; a business partner that provided loans equivalent to 2% or more of the Nippo Group's consolidated total assets as of the end of the most recent fiscal year; or a business partner with whom the Nippo Group does ongoing business or who provides the Nippo Group with ongoing loans, regardless of the amount.
*3. The Nippo Group is a "major business partner of a director" when the director is a business partner that receives from the Nippo Group payments that account for 2% or more of the business partner's annual consolidated sales in the most recent fiscal year; or when the director is a business partner does ongoing business with the Nippo Group or the Nippo Group provides the business partner with ongoing loans, regardless of the amount.
*4. A person who occupies an important position is a director (excluding outside directors), Audit and Supervisory Committee member (excluding outside members), executive officer, or employee in a managerial positions ranked department head or above

【Principle 4.10.1 Nomination and Compensation Advisory Committee】

Because the number of independent outside directors does not constitute a majority of the Board of Directors, and with the aim of further strengthening the fairness, transparency, and objectivity of procedures for the deliberation of particularly important matters such as nomination and compensation—thereby enhancing corporate governance—the Company has established an independent Nomination and Compensation Committee under the Board of Directors, the main members of which are independent outside directors, in order to obtain appropriate involvement and advice.

＜Member of the Nomination and Compensation Advisory Committee＞

Position in this committee	Job Title	Name
Chairman	Independent outside director Audit and Supervisory Committee Member	Tsutomu Umeno
Member	President	Yasuchika Iwasa
	Independent outside director Audit and Supervisory Committee Chairman	Teiichi Gamo

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

We believe that the effectiveness of the Board of Directors is enhanced not only by the knowledge, experience, and abilities of each director, but also by having a diversity of perspectives, i.e., diversity including gender and international perspectives.

With regard to the balance of the Board of Directors, considering our business model, the functions of our management organization, and the scale of our operations, we believe it is desirable for the internal director seats to be filled by the chief executive officer (representative director), a person who oversees multiple organizations and functions, the heads of the respective business and corporate divisions, and a full-time member of the Audit and Supervisory Committee. We also believe that, in order to ensure the effectiveness of the Board of Directors as a whole, multiple outside directors should be appointed from among professionals in their respective fields, such as attorneys, accountants, and corporate executives.

1. Policies and Procedures for Appointment and Dismissal of Directors

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

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

Skills (expertise and experience) / Name		Board of Directors				Audit and Supervisory Committee Members		
		Yasuchika Iwasa	Atsushi Nakamura	Yuji Okajima	Hirotsugu Mizuguchi	Hiroyuki Kawabe	Tsutomu Umeno 【outside】【independent】	Teiichi Gamo 【outside】【independent】
Management Strategy		●			●		●	
Business strategy	Sales & Marketing	●	●		●	●	●	
	Production and technology development	●		●		●	●	
	Global	●	●	●	●	●	●	
Accounting, Finance, Tax								●
Investor relations, ESG					●			
Personnel & Labor, Human Resources Development		●	●	●		●	●	
Legal Affairs, Intellectual Property, Risk Management						●		

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

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

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

	Name	Company Name ・ Position
Outside Director （members of the Audit and Supervisory Committee）	Tsutomu Umeno	Outside Director of SHIMOJIMA Co., Ltd.

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

We conducted a questionnaire pertaining to the four basic elements described below, and used this to analyze and evaluate the overall effectiveness of the board at a board meeting held on June 23, 2026. We reaffirmed to continue working on various measures in light of the evaluation’s outcomes so as to further enhance the board’s effectiveness. We will implement further surveys in future and continue to improve the

board's operations.

1. Items Studied to Evaluate the Board's Effectiveness

- Composition of the Board of Directors
- Roles and Responsibilities of the Board of Directors
- Board of Directors support system
- Others

2. Actions to Be Taken in Light of Evaluation Outcomes

- Ongoing discussion of the progress of and issues facing mid- to long-term business strategies that contribute to improving corporate value
- Ongoing monitoring of actions taken following deliberations by the Board of Directors on important matters
- Ongoing discussion of next-generation management structure
- Thorough advance distribution of meeting materials and optimization of meeting content and volume

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

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

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

【Principle 5.1 Policy for Constructive Dialogue with Shareholders】

1. Policy for Constructive Dialogue with Shareholders and Investors

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

- The director in charge of investor relations shall ensure strict information management in accordance with the Insider Information Management Regulations.

Action to Implement Management That Is Conscious of Cost of Capital and Stock Price

Content of Disclosure	Disclosure of Initiatives (Update)
Availability of English Disclosure	Available
Date of Disclosure Update	June 23 /2026

Explanation of Actions

Cost of Capital

・Regarding our cost of shareholders' equity, we had previously recognized it as approximately 9% during the period of the Medium-Term Management Plan 2025. However, supported by the achievement of our major milestone of annual operating profit of JPY 2.0 billion and the increasing stability of our earnings base, our cost of shareholders' equity has declined to approximately 7%.

We believe that this reduction in the cost of shareholders' equity, reflecting lower market-perceived risk, together with improvements in capital efficiency indicators such as ROE, will contribute to the further enhancement of corporate value.

On the other hand, we continue to recognize as a challenge that the market has yet to fully appreciate our dual business model, which combines both manufacturing and trading functions. As a result, our Company is categorized as a “specialized trading company,” a sector that generally tends to be assigned relatively low PER valuations.

・Rather than focusing on single-year results, we aim to achieve the quantitative targets established on a cumulative three-year basis under our medium-term management plans and steadily enhance our earning power, thereby realizing sustainable long-term growth. To achieve this goal, we will strengthen our manufacturing capabilities in line with our business portfolio strategy and expand our new business segment, the Eco Products business, thereby shifting our business portfolio toward areas with higher growth potential and profitability. At the same time, while maintaining an appropriate balance between proactive growth investments and shareholder returns, we will work to sustainably achieve ROE that exceeds our cost of shareholders’ equity.

2. Capital Structure

Foreign Shareholding Ratio	20% or more but less than 30%

Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)

Freesia Macross Corporation	1,796,700	19.73
BRIDGESTREAM LIMITED, AS TRUSTEE OF AXC STRATEGIC OPPORTUNITIES （Standing Proxy： Tachibana Securities Co., Ltd.）	1,129,200	12.40
BBH FOR FIDELITY LOW-PRICED STOCK FUND （Standing Proxy：MUFG Bank, Ltd.）	605,030	6.64
NIPPO Employee Shareholding Association	553,284	6.07
Bridgestream Limited, as Trustee of AXC Strategic Opportunities （Standing Proxy： Tachibana Securities Co., Ltd.）	517,500	5.68
FUJIMI INCORPORATED	337,600	3.71
Sumitomo Mitsui Banking Corporation	274,000	3.01
Kisao Tanaka	230,444	2.53
MUFG Bank Ltd.	216,480	2.38
Yoshinori Tanaka	182,500	2.00

Name of Controlling Shareholder, if applicable (excluding Parent Companies)	—
Name of Parent Company, if applicable	—

Supplementary Explanation

—

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Tokyo：Standard Market　Nagoya：Main Market
Fiscal Year-End	March
Business Sector	Wholesale Trade
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	¥10 billion or more but less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	10 or more but fewer than 50

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

—

5. Other Special Circumstances which may have a Material Impact on Corporate Governance

—

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

1. Organizational Composition and Operation

Corporate Governance System	Company with Audit and Supervisory Committee

Directors

Number of Directors Stipulated in Articles of Incorporation	12
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	7
Election of Outside Directors	Elected
Number of Outside Directors	2
Number of Independent Directors	2

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Tsutomu Umeno	From another company											
Teiichi Gamo	Tax Accountant											

*Categories for "Relationship with the Company".
(Use "○" 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. Person who executes business for the Company or its subsidiary
b. Person who executes business for a non-executive director of the Company's parent company
c. Person who executes business for a fellow subsidiary
d. Person/entity for which the Company is a major client or a person who executes business for said person/entity
e. Major client of the Company or a person who executes business for said client
f. Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company in addition to remuneration as a director/company auditor
g. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
h. Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to director him/herself only)
i. Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to director him/herself only)
j. Person who executes business for an entity receiving donations from the Company (applies to director him/herself only)
k. Other

Outside Directors' Relationship with the Company (2)

Name	Membership of Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment

Tsutomu Umeno	○	○	Mr. Tsutomu Umeno is an Outside Director of SHIMOJIMA Co., Ltd.	＜Reason for the selection＞ Mr. Tsutomu Umeno satisfies the selection criteria for directors and audit and supervisory committee members set forth by the board of directors, and we would like to continue to utilize his experiences in supervising and auditing our management in order to maintain and improve our governance. Accordingly, we appointed him as an outside director. ＜Reasons for designation as an independent officer＞ He satisfies the requirements for an independent director set by the Tokyo Stock Exchange, the Nagoya Stock Exchange, and the Company, and has a high degree of independence as there is no conflict of interest with our general shareholders in performing his duties as an outside director. Therefore, we have continued to designate him as an independent officer.
Teiichi Gamo	○	○	Mr. Teiichi Gamo is a tax accountant, president of the Teiichi Gamo Certified Tax Accountant Office and Outside Auditor of, Niwayoshi, Co., Ltd.	＜Reason for the selection＞ Although Mr. Teiichi Gamo has never been involved in corporate management other than through the positions of outside director/auditor in the past, he satisfies the selection criteria for directors and audit and supervisory committee members set forth by the board of directors, and we would like to continue to utilize his experiences in supervising and auditing our management in order to maintain and improve our governance. Accordingly, we appointed him as an outside director. ＜Reasons for designation as an independent officer＞ He satisfies the requirements for an independent director set by the Tokyo Stock Exchange, the Nagoya Stock Exchange, and the Company, and has a high degree of independence as there is no conflict of interest with our general shareholders in performing his

				duties as an outside director. Therefore, we have continued to designate him as an independent officer.

Supervisory Committee

Composition of Supervisory Committee and Attributes of the Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Committee Chair
Supervisory Committee	3	1	1	2	Outside Director

Appointment of Directors and/or Staff to Support the Supervisory Committee	Not Appointed

Matters Concerning Independence of Said Directors and/or Staff from Executive Officers/Reasons for Adopting Current System

The company shall assign employees to assist the Audit and Supervisory Committee whenever required. In selecting such employees, the Audit and Supervisory Committee shall ensure the independence of the employees from executives and the effectiveness of instructions given to them.

Cooperation among the Supervisory Committee, Accounting Auditors and Internal Audit Department

The company has established an Internal Audit Division. The head of the Internal Audit Division notifies the full-time members of the Audit and Supervisory Committee and the accounting auditor of the audit plan in advance, and keeps the company updated on the status of audits through periodic reports on audit outcomes. The full-time members of the Audit and Supervisory Committee and the Internal Audit Division work closely together to conduct audits efficiently, for instance by accompanying the accounting auditor on audits as necessary.

Voluntary Established Committee(s)

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

Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chairperson

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Audit and Supervisory Committee	3	1	1	2	0	0	Outside Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Audit and Supervisory Committee	3	1	1	2	0	0	Outside Director

Supplementary Explanation

Because the number of independent outside directors does not constitute a majority of the Board of Directors, and with the aim of further strengthening the fairness, transparency, and objectivity of procedures for the deliberation of particularly important matters such as nomination and compensation—thereby enhancing corporate governance—the Company has established an independent Nomination and Compensation Committee under the Board of Directors, the main members of which are independent outside directors, in order to obtain appropriate involvement and advice.

Matters Concerning Independent Directors

Number of Independent Directors	2

Other Matters Concerning Independent Directors

At the Board of Directors meeting held on June 24, 2020, the company revised its Independence Standards and Qualification for Independent Outside Directors to stipulate that any business partner with whom the Nippo Group does ongoing business, or has done so in the past, regardless of the amount, is not independent. The company believes that at least two independent officers should be appointed so that the board may receive frank opinions that contribute to sustainable growth and increased corporate value over the mid-to-long-term.

Incentives

Implementation Status of Measures related to Incentives Granted to Directors	Introduction of Performance-linked Remuneration Scheme

Supplementary Explanation for Applicable Items

Regarding the representative directors' and executive directors' compensation, on March 22, 2024, the Board of Directors partially revised an Executive Compensation System (monetary compensation) that includes incentives linked to the mid-to-long-term business performance aimed at enhancing medium- to long-term corporate value and realizing sustainable society established on May 19, 2023. And the revised system have been applied since July 2024.

Persons Eligible for Stock Options	—

Supplementary Explanation for Applicable Items

—

Director Remuneration

Status of Disclosure of Individual Director's Remuneration	No Disclosure for any Directors

Supplementary Explanation for Applicable Items

The total amount of compensation, etc. paid to each director is omitted as the company does not pay any director compensation of 100 million yen or more.

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

① Monetary Compensation

a) Representative Director and Executive Directors

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

Method of Calculation

A. Fixed Compensation

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

B. Incentive-based Compensation

・The base amount of incentive compensation shall be calculated by multiplying average consolidated net income for the past five years by the standard payment coefficient (maximum 5%).

・The total amount of incentive-based compensation shall be the amount obtained by multiplying this base amount by the weights and rates shown in the table below.

・In principle, the amount of incentive-based compensation paid to each director shall be an amount calculated by adding the total amount of incentive-based compensation to the ratio for directors' fixed compensation stipulated in A above.

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

b) Non-executive Directors

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

② Changes in Evaluation and Evaluation Criteria

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

At the Board of Directors meeting held on June 24, 2021, the Board resolved to establish a Nomination and Compensation Committee composed of directors including the president and the chairperson of the Audit and Supervisory Committee, as an advisory body to the Board of Directors. The Committee is responsible for submitting recommendations to the Board of Directors regarding the evaluation of the performance of duties by Directors (excluding Directors who are Audit and Supervisory Committee Members) and any changes to the evaluation criteria.

In addition, the Committee's membership includes at least two Independent Outside Directors, and Independent Outside Directors constitute a majority of its members.

b) Directors (Audit and Supervisory Committee members)

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

Support System for Outside Directors

Support for outside directors is provided by the Corporate Planning Department based on the division of duties. To enable active expression of opinions at board meetings, the company distributes the agenda and provides explanations as necessary in advance. Moreover, study workshops are held to enable directors to acquire necessary knowledge of the company's business, finances, and organization.

2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System)

The company views corporate governance as a framework to check the lawfulness and efficiency of management on behalf of shareholders. To that end, an appropriate mechanism is in place—in the form of the general meeting of shareholders, Board of Directors, Audit and Supervisory Committee, representative director, and accounting auditors—to supervise and audit directors' execution of duties. In addition, with the establishment of a Basic Approach to Internal Control System and Framework for Promotion of Internal Control System, the company has developed the necessary systems to ensure the appropriateness of the operations of Nippo and the affiliated companies of the Nippo Group. The Board of Directors meets at least once every two months in principle, and matters deemed material to management are thoroughly discussed at meetings of the Management Strategy Council, which comprises the full-time directors (including the Audit and Supervisory Committee member) before being tabled at board meetings.

The Audit and Supervisory Committee has three members: one full-time member and two outside directors serving as committee members. The committee meets at least once every two months in principle to discuss and adopt resolutions on matters deemed material to management, the outcomes of audits by Audit and Supervisory Committee members and internal audits, as well as audits by the accounting auditors, and other matters.

3. Reasons for Adoption of Current Corporate Governance System

The company chose the system described in 2. above because we believe it is the most appropriate structure in terms of business execution, supervision, and auditing.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize General Meeting of Shareholders and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Posting of Notice of the General Meeting of Shareholders	The company strives to send out AGM convocation notices as early as possible without compromising the accuracy of the information contained therein in order to allow shareholders sufficient time to give thorough consideration to the agenda. Information included in convocation notices is also published electronically on TDnet and the company's website in the period between the board's vote to convene the AGM and the dispatch of the convocation notice.
Scheduling of the General Meeting of Shareholders on a Non-Peak Day	The company schedules dates relating to the AGM—including the date of the meeting itself—appropriately, taking into consideration matters such as promoting constructive dialogue with shareholders, providing accurate information for that purpose, avoiding days on which other companies' AGMs are concentrated.
Electronic Exercise of Voting Rights	Starting with the 70th Ordinary General Meeting of Shareholders (for the year ended March 31, 2021), the company now allows shareholders to exercise their voting rights online.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	—
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	Because institutional investors and overseas investors make up a significant portion of the company's shareholders, we provide English translations of AGM convocation notices (containing reference material for the meetings).
Other	—

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	The company endeavors to enable all stakeholders, including shareholders and investors to understand the company and to build and maintain cordial relations based on trust by disclosing useful, appropriate information about	

	the Nippo Group in a fair and timely manner. The company also posts its disclosure policy on its website.	
Regular Investor Briefings held for Individual Investors	The company does not hold regular briefings for retail investors, but responds to questions and inquiries from all stakeholders, including shareholders and investors, on a case-by-case basis.	Not Held
Regular Investor Briefings held for Analysts and Institutional Investors	The company does not hold regular briefings for Analysts and Institutional Investors, but during the announcements of our second-quarter and full-year financial results, we conduct press briefings at the Nagoya Stock Exchange Press Club, where our representative presents an overview of the financial results	Held
Regular Investor Briefings held for Overseas Investors	The company does not hold regular briefings for overseas investors, but responds to questions and inquiries from all stakeholders, including shareholders and investors, on a case-by-case basis. To boost supply of information to overseas investors, we issue sponsored research reports twice a year (2Q and full-year).	Not Held
Online Disclosure of IR Information	The company posts quarterly and annual financial results briefing materials on its website.	
Establishment of Department and/or Placement of a Manager in Charge of IR	The company has an investor relations desk within the Corporate Planning Department.	
Other	—	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	In keeping with the company's management policy—*We greatly value all of our stakeholders, and view our employees as a source of strength for our company, and will make it our goal to be a global company with roots in each of our local communities*—we respect the positions of all stakeholders, including customers, suppliers, and other business partners whose steadfast support we appreciate, as well as employees, shareholders, and local communities.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	In keeping with the company's Environmental Policy and Compliance Declaration and Code of Conduct, we make a conscious effort to act in line with social norms so as to earn broad recognition as a good corporate citizen. The company also supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and we are endeavoring to tackle climate change and disclose information based on the TCFD's recommendations.
Formulation of Policies, etc. on Provision of Information to Stakeholders	In keeping with the company's Stakeholder Policies (stipulated as part of the Sustainability Policy), Basic Policy on Accounts and Financial Reporting" and Basic Information Security Policy, we strive to disclose accurate corporate information in a timely manner.
Other	—

IV. Matters Concerning the Internal Control System

1. Basic Views on Internal Control System and Status of Development

At a meeting of the Board of Directors held on August 21, 2020, NIPPO LTD. (hereinafter referred to as "the Company") adopted the following resolution concerning the establishment of a system to ensure that the execution of duties by Directors complies with laws and regulations and the Articles of Incorporation in accordance with Article 399-13 of the Companies Act and Article 110-4 of the Ordinance for Enforcement of the Companies Act, as well as the establishment of a system necessary to ensure the appropriateness of operations of the corporate group consisting of us and our subsidiaries companies (hereinafter collectively referred to as the "NIPPO Group")

1. System for ensuring that the Directors, corporate officers and employees conform to laws, regulations and the articles of incorporation in the execution of duties

(1) The Board of Directors adopted the "Compliance Declaration" and the "Code of Conduct" as basic compliance policies and established the "Compliance Rules" as a code of conduct to be observed during business operations. The Board of Directors, led by directors, decided to put these rules into practice together with corporate officers and employees.

(2) The Board of Directors established the Rules of the Board of Directors and supervised the execution of duties by each Director. The Audit and Supervisory Committee established the Audit and Supervisory Committee Rules and audited the execution of duties by Directors.

(3) The Board of Directors has completed the labor regulations and has made corporate officers and employees observe the service disciplines stipulated in the labor regulations.

(4) The Board of Directors has completed the operational rules and has made corporate officers and employees comply with the procedures set forth in the operational rules.

(5) The Board of Directors has established a system to ensure thorough compliance with laws and the Articles of Incorporation by directors, executive officers, and employees through the establishment of a compliance promotion system, internal reporting system, and internal auditing.

2. System for the storage and control of information pertaining to the performance of Director duties

(1) The minutes of meetings of shareholders, Board of Directors, and Auditing Committees and other important documents shall be stored and managed, and made available for inspection and disclosed by law, in accordance with laws, regulations, and internal regulations.

(2) With respect to trade secret information, the Rules for the Management of Trade Secrets shall be established, and a person responsible for management shall be appointed to prevent access to such information from both inside and outside the Company and to completely seal the leakage.

(3) "Rules for personal information management" and "Specific Personal Information Management Rules" shall be stipulated, and personal information, etc. shall be protected in the same manner.

3. Systems for managing risks of loss including the relevant internal regulations

(1) The Internal Control Promotion Division shall be established under the Board of Directors, and a system shall be established to predict the risk of loss at all times, and appropriate and prompt responses shall be made to the risk of loss. The Corporate Headquarter Director-General shall serve as the Director-General of the Promotion Division.

(2) In order to manage the risk of loss, the Company has established the Basic Risk Management Rules and prepared a management manual for each individual risk to prevent the occurrence of risk, accurately respond to risks that have arisen, and promptly recover from such risks.

(3) The Board of Directors shall develop an internal control system, and supervise, monitor, and verify the status of responses and operations to risk management at each Director.

4. System for ensuring efficient execution of Directors' duties

(1) Deliberations on management policies and other important matters set forth in the Rules of the Board of Directors shall be conducted by the Strategic Management Council, consisting of full-time directors, including the full-time Audit and Supervisory Committee Member, and matters tentatively agreed upon there shall serve as a draft basis for the final decision made by the Board of Directors.

(2) The Company shall clarify the responsibilities of each Director business operation in accordance with the Rules Concerning the Execution of Duties of Officers, the Rules on Administrative Authority, and the Rules on the Division of Duties, and have each Director faithfully and loyally perform the duties specified for each business operation.

(3) The full-time Director of The Company shall attend "Board of Directors", "Strategic Management Council" and " Corporate Strategy Meeting "; the part-time Director shall attend "Board of Directors" and "Corporate Strategy Meeting "; Director shall supervise the execution of duties mutually; and the Audit Committee members shall also audit Director duties.

5. System to ensure the appropriateness of business operations within the corporate group consisting of NIPPO Group

(1) Subsidiaries companies Management Regulations, Managerial Position System Regulations, and Standards for Transaction between subsidiaries companies have been established to manage the directors, auditors, and employees of the subsidiaries companies, and to establish a system in which we give direct instructions to subsidiaries companies directors, etc.

(2) The Audit and Supervisory Committee and the Internal Audit Office have established a system to conduct subsidiaries companies audits on a regular basis.

6. With respect to an employee who assists the duties of The Audit and Supervisory Committee, etc.

(1) Where it is necessary for an employee to assist the Audit and Supervisory Committee, such an employee shall be assigned on a case-by-case basis. In selecting such employee, the Audit and Supervisory Committee shall ensure the employee's independence from those who execute business operations, as well as the effectiveness of instructions given to such employee.

7. System for the Directors, corporate officers and employees to report to The Audit and Supervisory Committee and other systems for reporting to The Audit and Supervisory Committee

(1) All members of the Audit and Supervisory Committee attend the Board of Directors meetings, and the full-time members of the Audit and Supervisory Committee attend important company meetings, such as the Management Strategy Council. The Directors shall report to the Audit and Supervisory Committee on the status of execution of their duties at these important meetings.

(2) All information reported through the in-house reporting system shall be promptly reported to The Audit and Supervisory Committee.

8. Other systems to ensure that audits by The Audit and Supervisory Committee are conducted effectively.

(1) The Internal Audit Division regularly reports the internal audit plan and results to the Audit and Supervisory Committee and shares this information with the Committee.

(2) To secure the effectiveness of audits by the Audit and Supervisory Committee, "Audit and supervisory committee Regulations" are established to ensure that reports are submitted to NIPPO LTD.'s Audit and supervisory committee member by directors, executive officers and employees, as well as directors, auditors and employees of subsidiaries.

(3) Directors and employees of subsidiaries should swiftly submit appropriate reports when auditors of the relevant subsidiaries request reports related to the execution of operations.

(4) Without limitation to internal reports, directors, auditors and employees of Our Company’s Group submitting reports to Audit and supervisory committee member shall not be placed at a disadvantage for the reason of the said report.

(5) When Audit and supervisory committee member request advance payment for the execution of their duties, we shall pay it without delay. However, the necessity and required amount of payment may be checked by the Corporate Headquarters at a later date.

2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development

The company's basic policy of rejecting all connections to organized crime groups and other anti-social forces that adversely affect social order and sound corporate activity is stipulated in our Compliance Regulations.

The Company has established a department to oversee such matters—the Corporate Planning Division—and instituted a system to prevent the involvement of antisocial forces in its corporate activities and thereby prevent any damage that such involvement would cause. The system entails cooperation with external organizations such as consulting attorneys, local police, and the Corporate Defense Council, as well as employee education employees through a Compliance Guidebook.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Adopted

Supplementary Explanation for Applicable Items

Response Policies to Large-scale Purchases of Company Shares (Takeover Response Policies) （hereinafter called the “Plan”） was approved at the 75th Ordinary General Meeting of Shareholders held on June 23, 2026.

＜Basic Policy regarding Persons who Control Decisions on the Company’s Financial and Business Policies＞

As an organ of a company with its stock listed on a financial instruments exchange, the Board respects free trading of the shares in the Company on the market and does not categorically reject a large-scale purchase of the shares in the Company by a particular party as long as it contributes to the protection and enhancement of the corporate value of the Group and eventually to shareholders’ common interests.

The Company also believes that the decision on whether or not to accept a proposal for a large-scale purchase of shares should be ultimately made by the shareholders and it is therefore essential that the necessary information is provided to the shareholders and that the transparency and fairness are ensured.

However, there may be a proposal for a large-scale purchase of shares which could undermine the Group’s corporate value and eventually, shareholders’ common interests by, for instance, preventing the Group from maintaining a good relationship with its stakeholders. It is also possible that some of such proposals do not fully reflect the Group’s value or do not provide sufficient information required for our shareholders to make a final decision.

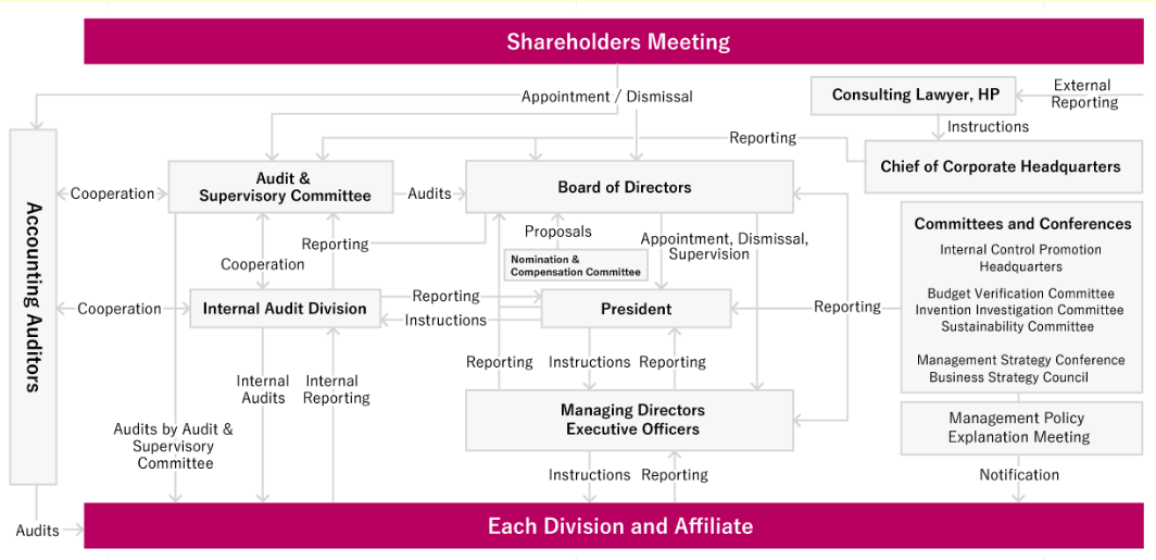
The Board believes that upon receipt of such proposals for large-scale purchases of shares, it must, as it has a duty to ensure the common interests of shareholders, secure necessary time and information and negotiate with the proposers on behalf of shareholders.

For more details, please refer to our website (https://www.nip.co.jp/english/ir/.assets/tob-1_en.pdf)

2. Other Matters Concerning the Corporate Governance System

1. Overview of Corporate Governance Structure

The diagram below shows the company's corporate governance structure.



2. Overview of Timely Disclosure System

(1) Basic Policy on Information Disclosure

In order to properly disclose information about the Nippo Group to all stakeholders, including shareholders and investors, the company's basic policy is to disclose information as required under the Companies Act, the Financial Instruments and Exchange Act, and other laws and regulations, as well as the Tokyo Stock Exchange's and the Nagoya Stock Exchange's Timely Disclosure Rules. We also disclose information not required under the Timely Disclosure Rules if this is deemed useful and appropriate.

(2) Disclosure System

Based on the aforementioned basic policy, the company has established an internal system described below for timely and appropriate information disclosure.

①Information Gathering Process

The pertinent person at each department or office endeavors to collect information, and reports to the head of Corporate Headquarters and the Corporate Planning Department anything that may require action in accordance with relevant laws and regulations. The head of Corporate Headquarters and the Corporate Planning Department carefully examine all relevant information and report to the director in charge of investor relations.

②Analysis and Judgment Process

Discuss with relevant departments and determine whether or not disclosure is necessary. Seek advice

from outside experts, exchanges, etc., where necessary. Judgments on important matters rest with the president or Board of Directors.

③Publication Process

Having first obtained the approval of the director in charge of investor relations (in the case of important matters: the president or the Board of Directors), information subject to timely disclosure is uploaded to TDnet, and information required to be disclosed under the Financial Instruments and Exchange Act is uploaded to EDINET. Timely disclosure information is also posted promptly on the company's website.

END