Monitoring towards achieving Vision 2030 goals

Saeki: Progress of DX is also a topic for continuous deliberations and therefore I monitor it closely. As a result of Nikko having adopted separate IT tools for each division, there was a delay in information sharing between divisions using differing tools. In order to improve that situation, the Company is building an IT platform called One Nikko Platform that can be used in common globally. It allows information to be shared across the entire value chain of Nikko Group, streamlining operations and increasing the speed of customer service. I also have expectations regarding reduction of overtime and promotion of flexible workstyles, and these are imperative for achieving the 2030 Vision.

Ishii: In overseas business, I am paying attention in particular to the implementation status of the ASEAN strategy centered on Thailand. I am also looking at the Company's forays into Vietnam, where the population exceeds 100 million, and Indonesia, which has a large market, by leveraging the production base in Thailand. While trying to make the Thai subsidiary profitable quickly, it is also necessary to continuously invest in the surrounding countries. The key to ensure success, of course, is human resource development. In addition to language skill acquisition by Japanese employees, I would like to see Nikko establish a nurturing program in a systematic way including hands-on training at the overseas site. Focus should be on hiring and education as active participation of foreign employees is also indispensable. I expect the Thai business model to have established itself with prospects of entering into Indonesia by the final fiscal year of the 2030 Vision.

Sadakari: I am also paying attention to the efficiency of the domestic business and return on invested capital in terms of monitoring the progress of 2024 medium-term plan and 2030 Vision. I would like to see Nikko break out of the situation where it cannot become the price leader in Japan although we face limited competitors and hold a 70% share of the market. Though the Company is implementing measures such as standardization of plants, the problem is that it is not receiving adequate compensation for meeting the customization demands. Strengthening the profitability of the domestic business is essential also for continuing the investments in the growing Asian markets. Towards achieving the ROE target of 8%, people will become more conscious of capital productivity in the operation process if invested capital and capital efficiency are managed by individual business divisions.

Saeki: Human resources strategy linked to management strategy will become important for achieving the targets of 2030 Vision. In the past two years, Nikko has improved personnel system and leave management system, and I recognize that it is making some progress, but there is still significant room for improvement. It is especially necessary to change the workstyle, including for male employees, by establishing a flexible and employee-friendly work environment where female employees, who could be temporarily restricted due to life events, will be able to demonstrate their abilities fully. Active participation of senior employees is also indispensable and therefore I would like Nikko to focus on health management so that employees can work long and healthy. I would like the Company to work on improving health literacy of managerial staff and employees. When you think of expansion into Asia, strengthening hiring of foreign employees also should be given importance from the perspective of human resource strategy.

Sadakari: Contributions to carbon neutrality is an important challenge in Nikko's sustainability strategy, and therefore it is necessary to steadily lay the groundwork including technological innovations. I look forward to Nikko making major contribution towards solving the issues in the environmental field given its position as a pioneer of the resource recycling economic model in recycling asphalt and concrete waste. If the Company can communicate its cutting-edge initiatives in carbon neutrality and resource recycling more to the stakeholders, it would generate more interest in Nikko. Active public relations activities have helped in increasing exposure in local media, and the Company's presence in the local community has grown. I would like to see the circle of communication expand from Hyogo prefecture to the Kinki region and further to the entire nation.

Ishii: Conducting business in emerging nations is accompanied by unforeseen risks such as political uncertainties and supply chain confusions. It is important to prepare countermeasures in advance assuming all kinds of situations. Currently Nikko has two business bases: Shanghai in China and Thailand. Extending these points into lines, and then to expand them to a wider area will, in my opinion, help in dispersing the risks.

Saeki: The Company will have to further bolster the service division if it is to increase profitability. In addition to offering the next-generation preventive and predictive service based on DX at a fixed rate, raising customer satisfaction through close collaboration of sales and service using the One Nikko Platform is also indispensable for boosting profitability. If remote operation of plants in Asia can be carried out from Japan, it could lead to improvements in customer convenience while also reducing operation risks. I believe Nikko's risks and opportunities lie in DX, GX, and overseas markets, and therefore I would like to contribute towards achieving the goals of the 2030 Vision by controlling the risks and supporting the acquisition of business opportunities.

Basic approach

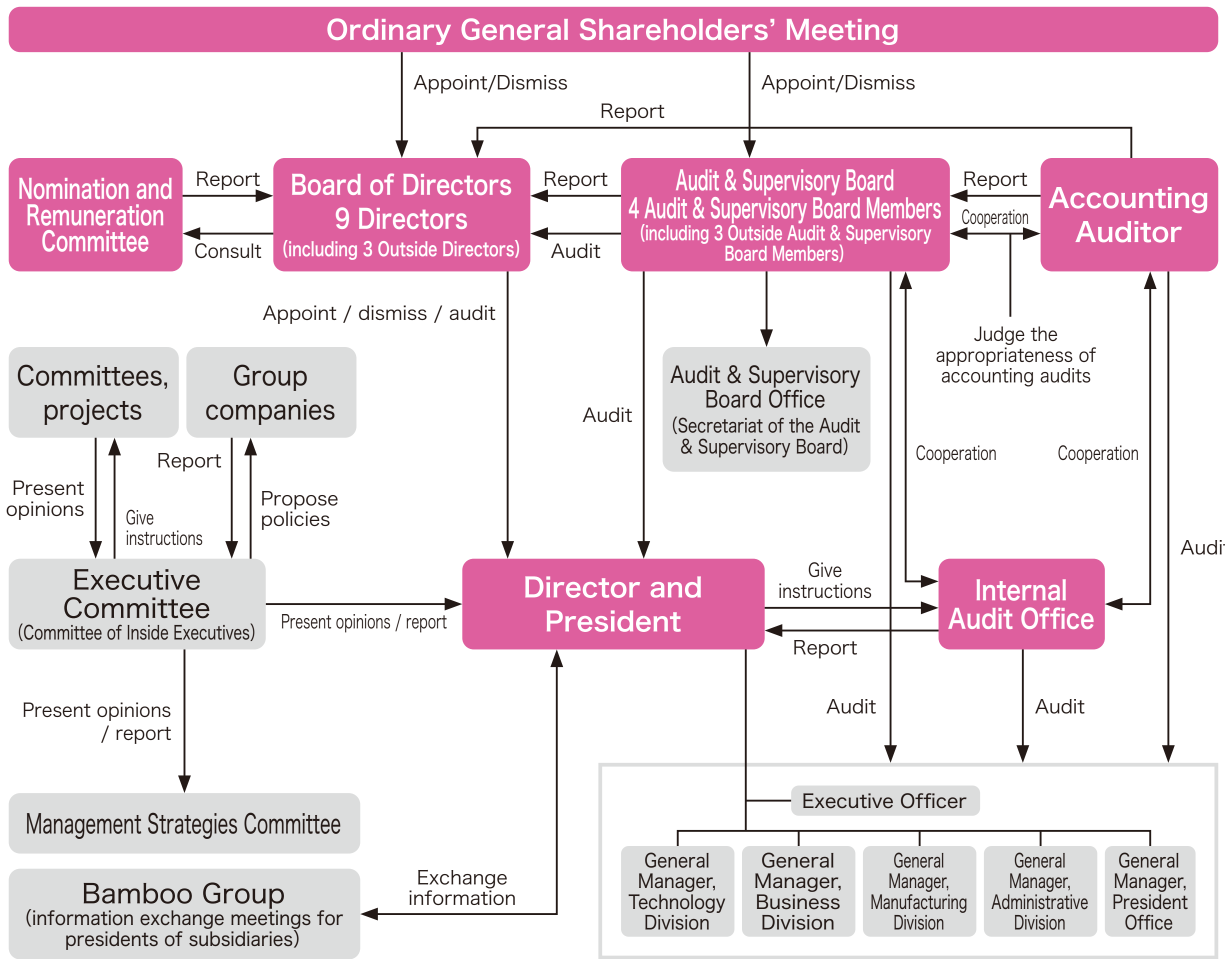
Nikko positions corporate governance as "the management governance function for maximizing corporate value for our shareholders and other stakeholders." Under the Executive Officer system built upon the Board of Directors and the Audit & Supervisory Board, we endeavor to clarify management accountability, speed up business execution, increase the transparency of management decision-making, and strengthen compliance in order to ensure sound business management.

Reason for adopting a corporate structure with the Audit & Supervisory Board structure

The Company's decisions based on the on-site situation are made in an appropriate manner by human resources who understand and are capable of putting into practice the Nikko Group's Management Philosophy. We have set the term of directors and executive officers as one year to clarify management responsibilities while striving to separate the execution and supervision of duties. Further, Nikko appoints three outside directors as independent officers to enhance corporate governance. The three Outside Audit & Supervisory Board members are respectively a person with management experience, a certified public accountant, and a lawyer and are well-versed in the contents of Nikko's business. They closely cooperate with the outside directors, full-time Audit & Supervisory members, and Internal Audit Division to provide appropriate advices and thus ensure the objectivity and neutrality of management and supervision functions.

Governance structure

Nikko is a company with the Audit & Supervisory Board. To smoothly execute business, we have a committee of internal executives and other various committees as consultative organs for the President. A full-time Audit & Supervisory Board member and relevant staff members of Internal Audit Office attend the meetings of these committees.



Roles and composition of supervisory bodies

Organization	Board of Directors	Audit & Supervisory Board	Nomination and Remuneration Committee
Composition	Chair • 6 inside members + 3 outside members • Representative Director and President is the chair	Chair • 1 inside members + 3 outside members • Internal, full-time Audit & Supervisory Board Member is the chair	Head • 1 inside members + 2 outside members • Representative Director and President is the head
Purpose and authority	• Resolution of matters including determination of the basic management policies • Supervision of the execution of duties by Executive Officers, etc.	• Supervision of the duties of Directors and Executive Officers • Preparation of audit reports • Determination of the agenda details regarding the appointment and dismissal of an accounting auditor	• Deliberation of agenda details regarding appointment and dismissal of Directors to be submitted to Ordinary General Shareholders' Meeting • Formulation of successor nurturing plan • Deliberation of policies regarding remuneration, etc. of Directors and Executive Officers • Deliberation of policies regarding performance evaluation of Directors and Executive Officers
Ratio of independent outside officers	33%	75%	67%
Number of meetings in FY 2022	13	15	3
Office	Corporate Planning Department	Audit & Supervisory Board Office	Corporate Planning Department

Inside directors   Independent outside officers

Main decision-making bodies

〈Meeting bodies on the monitoring side〉

- Board of Directors　9 Directors (including 3 Outside Directors) + 4 Audit & Supervisory Board Members (including 3 Outside Audit & Supervisory Board Members)
  Chair: Masaru Tsuji (Representative Director and President)
- Audit & Supervisory Board　4 Audit & Supervisory Board Members (including 3 Outside Audit & Supervisory Board Members)
  Chair: Nobutaka Yasuda (Full-time Audit & Supervisory Board Member)
- Nomination and Remuneration Committee　3 Directors (including 2 Outside Directors) + 1 Full-time Audit & Supervisory Board Member (observer)
  Head: Masaru Tsuji (Representative Director and President)
- President and Outside Officers Meeting (1 Inside Director + 6 Outside Officers) + 1 Full-time Audit & Supervisory Board Member (observer)
  Chair: Masaru Tsuji (Representative Director and President)

〈Meeting bodies on business executive side〉

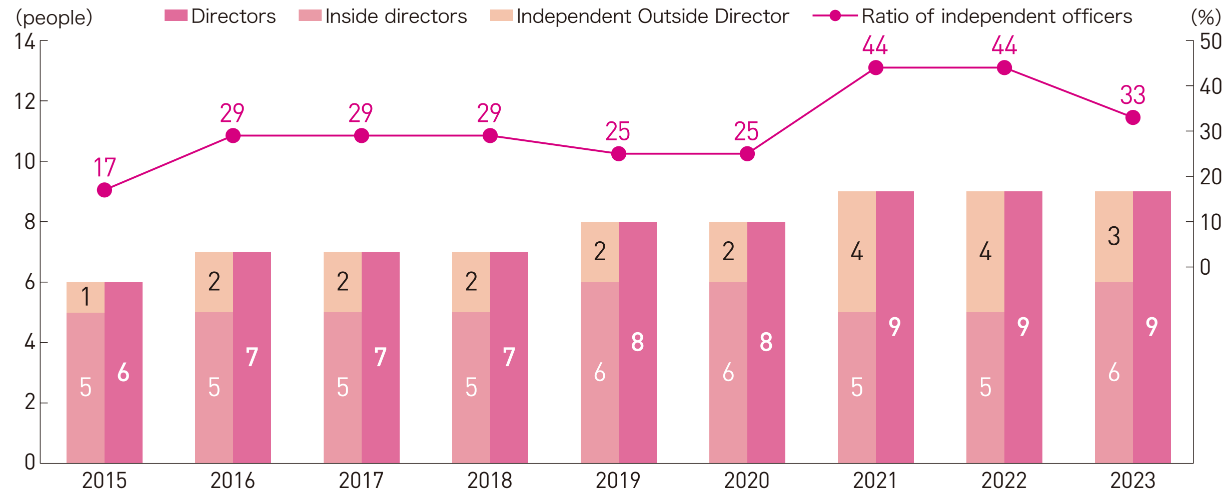
- Committee of Inside Executives　6 Inside Directors + 1 Full-time Audit & Supervisory Board Member + 4 Executive Officers + Internal Audit Office
  Chair: Masaru Tsuji (Representative Director and President)
- Management Strategies Committee　Internal directors involved in strategic themes + Executive Officers + Divisional General Managers
  Chair: Masaru Tsuji (Representative Director and President)

- Compliance and Risk Management Committee
  Head: Hiroshi Fujii
- Sustainability Committee
  Head: Koichi Kawakami
- M&A Examination Committee
  Head: Hiroshi Fujii
- Finance Committee
  Head: Hiroshi Fujii
- Development Technology Committee
  Head: Katsuhiro Kawamura
- Safety and Health Committee
  Head: Koichi Kawakami
- Personnel Evaluation Committee
  Head: Hiroshi Fujii
- Reward and Punishment Committee
  Head: Hiroshi Fujii
- Personnel System Committee
  Head: Hiroshi Fujii
- Improvement Activity Committee
  Head: Kazuhiro Yamada
- Tombo-kai Vitalization Committee
  Head: Morie Okaaki
- Product Commercialization Committee of each business
  Head: General Manager of each business division
- Bamboo Group (information exchange meetings for presidents of subsidiaries)
  Chair: Masaru Tsuji

History of ensuring management transparency and strengthening of governance

2000	Carried out reform of the Board of Directors, introduced the executive officer system
2004	Increased the number of outside Audit & Supervisory Board members from two to three
2006	Established the Internal Audit Office and developed internal control system Established the Compliance and Risk Management Committee
2007	Shortened the term of directors from two years to one year
2015	Appointed an outside director
2016	Increased the number of outside directors to two
2017	Carried out the effectiveness evaluation of the Board of Directors
2018	Introduced the performance-linked bonus and stock compensation (shares with restriction on transfer) system
2021	Increased the number of outside directors to four including a female director (three outside directors including female director in 2023) Established the Nomination and Remuneration Committee (optional)
2023	Established the Sustainability Committee

Trend in ratio of independent outside directors at Board of Directors



Main deliberation items at the Board of Directors Meeting in FY 2022

In FY 2022, Nikko formulated a new three-year Medium-Term Management Plan towards achievement of 2030 Vision. The meeting repeatedly discussed expansion of the overseas (ASEAN) business, the first pillar of the Company's growth strategies, from various aspects, while outside officers carried out visiting audit of local sites. The Board also deliberated intensively and received reports on the following matters.

- Examining strengthening of human capital
- Deliberation and review of M&As
- Revision of internal rules regarding remuneration and bonuses for officers and executive officers
- Revision of whistleblowing rules
- Internal control evaluation policies
- Self-evaluation questionnaire survey regarding effectiveness of the Board of Directors
- Review of strategically-held shares
- Status of reports based on the whistleblowing rules
- Concrete measures for promoting active participation of female employees
- Supervision regarding initiatives for safe work

Members of Board of Directors Meeting (as of July 2023)

	Director candidate number	Name	Title	Attendance (Board of Directors Meeting in FY 2022)	Appointed in	Number of Nikko shares held	Main expertise and experience										
							Independence (outside officers alone)	Insight and experience(*1) expected									Delegation of authority of chair and head
								Corporate management and business operation	Industrial knowledge	Financial accounting	Legal compliance	International experience	Sales experience	ICT(*2)	Technical experience	Administrative experience	
	1	Takahisa Nishikawa	Director and Chairman	11/13	June 2008	120,200 shares		●	●			●			●		
	2	Masaru Tsuji	Representative Director and President	13/13	June 2008	108,900 shares		●	●				●	●	●		Chair of Board of Directors Head of Nomination and Remuneration Committee
	3	Hiroshi Fujii	Director and Vice President	13/13	June 2011	66,400 shares		●		●	●	●					
	4	Tomomi Nakayama	Managing Director (General Manager of Sales Division)	12/13	June 2019	42,800 shares		●	●				●		●		
	5	Takeshi Sone	Director (newly appointed)	(Not applicable)	June 2023	8,400 shares		●	●				●		●		
	6	Koichi Kawakami	Director (newly appointed)	(Not applicable)	June 2023	3,700 shares		●	●			●	●	●			
(Outside/Independent)	7	Masafumi Ishii	Director	13/13	June 2021	2,500 shares	●				●	●				●	
(Outside/Independent)	8	Rika Saeki	Director	13/13	June 2021	None	●	●						●			Nomination and Remuneration Committee member
(Outside/Independent)	9	Shigeru Sadakari	Director	10/10	June 2022	2,500 shares	●	●		●	●						Nomination and Remuneration Committee member

Members of Audit & Supervisory Board (as of July 2023)

	Audit & Supervisory Board Member candidate number	Name	Title	Attendance (Upper row: Audit & Supervisory Board Meeting in FY 2022) (Lower row: Board of Directors Meeting in FY 2022)	Appointed in	Number of Nikko shares held	Independence (outside officers alone)	Corporate management and business operation	Industrial knowledge	Financial accounting	Legal compliance	International experience	Sales experience	ICT(*2)	Technical experience	Administrative experience	Delegation of authority of chair and head
	–	Nobutaka Yasuda	Full-time Audit & Supervisory Board Member	13/13 15/15	June 2016	45,800 shares		●	●				●				Chair of Audit & Supervisory Board
(Outside/Independent)	1	Naoki Ota	Audit & Supervisory Board Member	13/13 15/15	June 2019	300 shares	●	●				●					
(Outside/Independent)	2	Tsuyoshi Fukui	Audit & Supervisory Board Member	13/13 15/15	June 2019	300 shares	●			●							
(Outside/Independent)	3	Koji Yoneda	Audit & Supervisory Board Member	13/13 15/15	June 2022	300 shares	●				●						

*1 The above list does not indicate all insights and experiences the officers possess.
*2 ICT in the above list stands for information and communication technology.

Reasons for appointment and expected roles of Outside Officers

Outside officer	Name	Appointed in	Date of birth	Career background	Reasons for appointment and expected roles
Independent Outside Director	Masafumi Ishii	June 2021	November 3, 1957	Diplomatic official	Ishii possesses extensive insight into international affairs, nurtured through his rich international experience including long service in various key positions at the Ministry of Foreign Affairs, as well as knowledge of the Asian region where Nikko aims to expand in the future. He is expected to provide diverse and broad range of advice and contribute to realization of sustainable growth in corporate value of Nikko.
Independent Outside Director	Rika Saeki	June 2021	February 27, 1961	Corporate management	Saeki will reflect her abundant knowledge and experience, nurtured through founding of a business company and her ongoing engagement in corporate management as a business manager, in Nikko's management. The Company believes that Saeki's knowledge of ICT, which is her main field of business, as well as the opinions from diverse perspectives she brings in are necessary for the company's future development, and expects her to supervise and advise Nikko on its business execution. As a Nomination and Remuneration Committee member of the Company, she is engaged in the selection of officer candidates and decision on the remunerations among other matters from an objective and neutral standpoint.
Independent Outside Director	Shigeru Sadakari	June 2022	September 22, 1957	Corporate management	Sadakari will reflect his abundant experience and broad knowledge, nurtured through his long engagement in corporate management at financial institutions and business companies, in Nikko's management. The Company also believes that incorporating diverse opinions regarding capital policies and financial accounting is important for its future development, and expects him to supervise and advise Nikko on its business execution. As a Nomination and Remuneration Committee member of Nikko, he is engaged in the selection of officer candidates and decision on the remunerations among other matters from an objective and neutral standpoint.
Independent Outside Audit & Supervisory Board Member	Naoki Ota	June 2019	March 1, 1955	Corporate management	Ota will audit and provide instructions regarding the soundness and transparency of management execution from an objective and neutral standpoint, leveraging his abundant experience in overall corporate management and broad knowledge gained in his long engagement in corporate management at a business company.
Independent Outside Audit & Supervisory Board Member	Tsuyoshi Fukui	June 2019	July 24, 1965	Certified Public Accountant of Japan	Fukui will audit and provide instructions regarding the soundness and transparency of management execution from an objective and neutral standpoint, leveraging his professional position as a Certified Public Accountant. Fukui has been demonstrating high performance from a specialist perspective as a Certified Public Accountant and also has deep insight in management, and he is expected to appropriately execute his duty as an Outside Audit & Supervisory Board Member.
Independent Outside Audit & Supervisory Board Member	Koji Yoneda	June 2022	February 17, 1957	Attorney	Yoneda will audit and provide instructions regarding the soundness and transparency of management execution from an objective and neutral standpoint, leveraging his professional position as an attorney. Yoneda has been demonstrating high performance from a specialist perspective as an attorney and also has deep insight in management, and he is expected to appropriately execute his duty as an Outside Audit & Supervisory Board Member.

Activities of Nomination and Remuneration Committee

From the perspective of enhancing corporate governance by raising the fairness and objectivity of the functions of the directors, the Nomination and Remuneration Committee deliberates the nomination, remuneration, nurturing of candidates, and other matters regarding directors and executive officers, which is then decided through a resolution by the Board of Directors. In FY 2022, the Nomination and Remuneration Committee held three meetings.

Head	Position	Name	Attendance and attendance ratio of the Nomination and Remuneration Committee Meeting (number of meetings attended)
●	Director and President	Masaru Tsuji	100% (3/3)
	Outside Director	Noriaki Nagahara (retired in June 2022)	100% (1/1)
	Outside Director	Tsutomu Yuasa (retired in June 2023)	100% (3/3)
	Outside Director	Shigeru Sadakari	100% (2/2)

Main deliberation matters in FY 2022

- Personnel affairs of directors, executive officers, and advisors
- Bonuses for officers
- Candidates for officers for the next fiscal year, successors
- Nomination and Remuneration Committee member candidates
- Remuneration for officers
- Treatment of officers after retirement

Basic policy regarding determination of director's remuneration

Basic policy

Nikko set out a basic policy to develop a system of remuneration of its directors that adequately functions as an incentive to sustainably improve corporate value while paying attention to the interests of shareholders, and to decide remuneration of each director at an appropriate level based on their duties in accordance with the Internal Regulations on Remuneration and Bonuses of Executives set by the Board of Directors. Specifically, remuneration of executive directors comprises basic compensation as fixed compensation, performance-linked compensation, and stock compensation. To outside directors whose main function is supervision, basic compensation, performance-linked compensation, etc. are paid.
From April 2021, Nikko established the optional Nomination and Remuneration Committee, and remuneration is revised as necessary based on reports from the committee.

Basic remuneration system for executive directors

Composition ratio of remuneration types for executive directors is set at 7 : 2 : 1 for basic compensation, performance-linked compensation, and non-monetary compensation. Performance-linked compensation is the bonus for officers, while shares with restriction on transfer form the non-monetary compensation. The Nomination and Remuneration Committee will discuss the basic remuneration system and deliberate and review appropriate ratios.

Breakdown of director's remuneration

①Basic compensation 70% + ②Performance-linked compensation 20% + ③Stock compensation (shares with restriction on transfer) 10%

(Standard case)

Main evaluation indicators ●Consolidated operating income ●Level of achievement of the management plan

〈Performance-linked compensation〉

To raise awareness regarding growth and performance improvement of the overall group for each fiscal year, performance-linked compensation is determined based on the consolidated operating income, which is considered as the basic performance indicator, and taking into account the non-consolidated performance of Nikko, dividends to shareholders, and bonuses to employees. It is provided as bonuses for officers.
From April 2021, Nikko established the Nomination and Remuneration Committee, and remuneration is revised as necessary by the Board of Directors based on reports from the committee.

Performance evaluation indicators and inter-relation

Bonuses for officers consists of performance evaluation and contribution evaluation. In performance evaluation, the bonus amount for each officer rank is decided based on the achievement of 2.5 billion yen in consolidated operating income and 2% is added to or subtracted from the amount for each 0.1 billion increase or decrease. In the contribution evaluation with respect to the management plan, the committee adds to or subtracts up to 20% from the evaluations of individual officers. The results of both performance and contribution evaluation are then finalized at a Board of Directors Meeting. In the case of large amount of extraordinary gain or loss also, the committee deliberates it and the Board of Directors makes the decision.

Total remunerations by officer rank (results for FY 2022)

Officer ranks	Total amount of remuneration (million yen)	Total amount of all types of remuneration (million yen)			Number of officers
		Fixed compensation	Performance-linked compensation	Non-monetary compensation	
Directors (excluding outside directors)	148	113	22	12	5
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board members)	23	18	3	1	1
Outside officers	46	43	3	–	9

Note: Performance-linked compensation is the bonus for officers, while shares with restriction on transfer form the non-monetary compensation.

Initiatives for improving the effectiveness of Board of Directors

As initiatives for improving the effectiveness of Board of Directors, Nikko has been evaluating the effectiveness of the Board of Directors every year since FY 2017.

〈Evaluation method〉

Method for effectiveness evaluation

- Anonymous questionnaire survey of all directors and Audit & Supervisory Board members (12 in total)
- The survey consists of 48 questions over seven items and a free description section.
- Multiple choice questions are scored across four levels (anonymous)

1. Overall evaluation of the Board of Directors ··· nine questions
2. Composition of the Board of Directors ······· five questions
3. Operation of the Board of Directors ········ eight questions
4. Agenda items of and discussions at the Board of Directors Meetings ··················· eight questions
5. Provision of information and training ········ eight questions
6. Utilization of the internet ················ seven questions
7. Matters for continued deliberation ········· three questions
8. Free description

Evaluation results

The evaluation following the above process found that there were no problems regarding the current corporate governance structure and operation of the Board of Directors of Nikko, that they were functioning appropriately, and the effectiveness of the Board of Directors is ensured. The directors of the current fiscal year will work on improving newly recognized issues.

Issues identified in the survey of the effectiveness of Board of Directors in FY 2022 and initiatives for improvement

	Issues identified in Board of Directors in FY 2022	Initiatives in 2023
Issue 1	Provision of information regarding executive officers' execution of duties to outside officers (status of the initiatives regarding the Medium-Term Management Plan, understanding of and status of responses regarding the business environment, etc.)	●Meetings between outside officers (directors and Audit & Supervisory Board members) and executive officers on a regular basis from FY 2023 (every quarter)
Issue 2	Provision of information regarding the status of subsidiaries and affiliates outside Japan (overseas affiliated companies) to outside directors	●Outside officers carried out visiting audit of a Thai subsidiary in February 2023 ●They plan to carry out visiting audit of the Chinese subsidiary (and its local affiliated companies) as soon as the situation normalizes in China
Issue 3	Setting up a forum for exchange of opinions among outside officers	●Started holding meetings with only outside officers (directors and Audit & Supervisory Board members) on a regular basis from FY2023 (semiannual)
Issue 4	Provision of materials to the Board of Directors Meetings	●Promotion of digitization

Functions and roles of the Audit & Supervisory Board

The Audit & Supervisory Board consists of one full-time Audit & Supervisory Board member and three part-time members, and three of them are outside members. The Audit & Supervisory Board Meeting is usually held monthly prior to the Board of Directors meeting, and also held as necessary. It was held a total of 15 times in FY 2022, and the time spent per meeting was about 1.5 hours. The following resolutions, discussions, deliberations, and reports were made at the meetings through the course of the year.

Resolutions	Audit & Supervisory Board audit policy, audit plan, segregation of duties, budget; selection of full-time Audit & Supervisory Board member; audit report by Audit & Supervisory Board; re-appointment of accounting auditor; and consent for the audit fees of accounting auditor
Discussions	Remuneration for Audit & Supervisory Board members
Deliberation	Audit & Supervisory Board audit policy draft, audit plan draft, draft for segregation of duties, budget draft, and Audit & Supervisory Board audit report draft; decision on the contents of the agenda item regarding appointment, dismissal, and non-reappointment of accounting auditor; audit plan and audit report of accounting auditor
Report	Monthly activity report by Audit & Supervisory Board members, report on cooperation with accounting auditor and internal audit division, report on whistleblowing, etc., report on activities of the executive divisions (in the current fiscal year, the Board received reports from employees in charge of engineering, development, general affairs, and internal audit divisions)

Procedure of Audit & Supervisory Board audit and division of roles

Audit & Supervisory Board members led by the full-time member implement systematic and exhaustive audit of overall operations of the Company and its consolidated subsidiaries based on the audit plan formulated by the Audit & Supervisory Board.
The full-time Audit & Supervisory Board member participates in important meetings including the Board of Directors Meeting, Audit & Supervisory Board Meeting, and Executive Committee Meeting, inspects important documents, visits branches and warehouses, holds interviews with employees of operating divisions, and conducts visiting audit. Part-time Audit & Supervisory Board members mainly participates in important meeting such as the Board of Directors Meeting and Audit & Supervisory Board Meeting and actively express their opinions. Together, they form a structure that enables monitoring of execution of operations by the directors.

Key audit items and activity results (FY 2022)

Development and operation structure of internal control system of the group companies in Japan and abroad	Activities of the two Thai subsidiaries, which were delayed due to the COVID-19 pandemic, have started in full-swing, while one Japanese company has joined the Nikko Group. The Audit & Supervisory Board members held visiting audit of the said company as well as the existing group companies and interviewed officers and other employees, strived to grasp the current situation and share information in cooperation with the internal audit divisions and accounting auditors, and expressed their opinions whenever necessary. The number of visiting audits, interviews, and meetings in which the members participated: 74 for Japanese business entities, 57 for Japanese subsidiaries, and 17 for overseas subsidiaries
Initiatives for elimination of occupational accidents	The members strived to grasp the situation by confirming the progress made in initiatives by participating in safety meetings, etc. (six times), Board of Directors Meetings (13 times), and Executive Committee Meetings (24 times) and gathering information during visiting audits at business entities and subsidiaries, and expressed opinions whenever necessary.
Initiatives towards Medium-Term Management Plan	The members confirmed the progress by participating in the Board of Directors Meetings, Executive Committee Meetings, and Initiative Progress Meetings (seven times) and holding interviews at visiting audit of business entities and subsidiaries and expressed their opinions whenever necessary.

Status of reducing strategically-held shares

The Board of Directors annually examines whether or not to continue holding strategically-held shares and facilitates the gradual sales of the shares if it determines that there is no rationale to keep holding them. To make this decision, the Board looks into the purpose of holding the shares, their risks, Nikko's relationship with the issuers, and capital cost. In the last five years, we sold a total of 30 issues (12 sold-off issues) at a total value of 2.52 billion yen. We aim to achieve the ratio of market capitalization to shareholders' equity of 9%.
We judge exercise of voting rights upon comprehensive consideration of not only short-term results and stock price of the issuers but also Nikko's relationship with them.

Status of reducing strategically-held shares

(million yen)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Number of shares sold	6(1)	6(2)	9(5)	7(4)	2(0)
Amount sold	194	720	506	691	371
Book value	106	272	469	376	192
Gain on sales	88	448	38	314	178
Ratio of market capitalization to shareholders' equity(%)	17.2	11.6	11.8	12.7	9.6

() denotes the number of shares that have been completely sold off.

Dialogues with shareholders and investors

We position the building of long-term, trusting relationships with our shareholders and investors as an important management issue. We proactively work on improving constructive dialogues through the appropriate information disclosure in both Japanese and English and regular information dissemination by our management staff. The opinions of our Japanese and overseas shareholders and investors we have learned through meetings with them are reported to the Board of Directors and shared with relevant sections to reflect them in our management decisions and reports for investors.

Results of dialogues with shareholders and investors

Event types	FY 2019		FY 2020		FY 2021		FY 2022	
	Number of events	Number of participants	Number of events	Number of participants	Number of events	Number of participants	Number of events	Number of participants
Financial results briefing session	4	69	4	90	4	134	4	111
Individual meetings	23	28	17	23	10	18	6	10
Small group meetings by Nikko	2	8	0	0	0	0	0	0
Ordinary General Shareholders' Meeting	1	21／3,303	1	19／4,709	1	23／5,062	1	40／6,795

(attendance in person/attendance in writing)

Compliance and risk management

The Nikko Group believes that it is important to clarify management responsibility, accelerate the speed of execution of duties, and strengthen compliance to secure soundness of management, and has been driving forward development of a system and measures for ensuring compliance in the Group.

Code of Conduct

① Compliance
We shall follow our conscience, comply with laws and orders, social norms, company rules, refrain from engaging in malpractice, and carry out sensible corporate activities.

② Provision of better products and services
We shall offer good-quality products and services, with full attention paid to safety and quality, by enhancing research and technology development.

③ Communication with society
We shall strive to communicate with customers, shareholders, business partners, and local communities to ensure transparency of management and fulfill accountability.

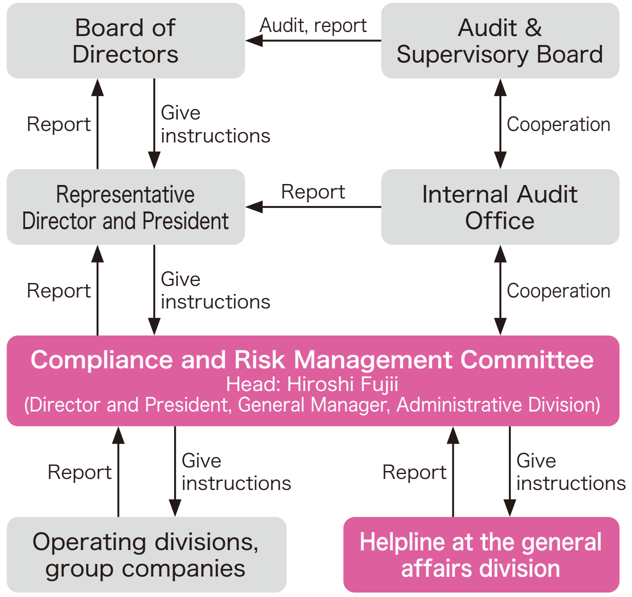
④ In search of safety and abundance
We shall place utmost priority on safety, improve workplace environment and work conditions, and strive to ensure that each and every employee feels at ease and has a sense of prosperity.

⑤ Environmental preservation
We shall promote environmental conservation initiatives and contribute to creation of favorable environment.

⑥ Elimination of anti-social forces
We shall have no involvement with anti-social forces or organizations that threaten the order, safety, and security of citizens.

The Code of Conduct of Nikko Group lists compliance as the top priority and all employees share it as their identity. In addition, the Group has been striving to practice fair, transparent, and sensible corporate activities conscious of social norms and company rules.

Legal compliance promotion structure



Operation of the corporate ethics helpline

The group companies in Japan have in place a whistleblower system that is compliant with the revised Whistleblower Protection Act and are disseminating the information to directors, executive officers, and other employees.

Main information disseminated regarding the operation of helpline

1	In many cases, we recognize that officers and employees commit misconducts, which affect a company's existence, for the benefit of the company and organization rather than to gain unfair profits for themselves without being aware of their illegality.
2	It is important that departments with specialized knowhow are available for consultation at any time so that officers and employees would not make wrong judgments.
3	A whistleblowing system would put psychological pressure on the employees and act as a deterrent to commit fraud.
4	It is necessary to develop a mechanism where a misconduct always comes to light → Thorough compliance awareness
5	Whistleblowers are protected by the Whistleblower Protection Act (Act No. 122 of 2004) enacted on April 1, 2006.
6	Issues related to employee treatment such as transfer and promotion or defamation are not included in the system.
7	The user can report the issue through a letter or via the portal or email using his or her own name or anonymously → Those involved in receiving the report have the duty of confidentiality.
8	Upon responding to whistleblowers, the investigation policy and schedule are disclosed first, and a promise is made to provide a reply within a certain period of time.

The number of reports to the helpline

	FY 2020	FY 2021	FY 2022
Number of reports	0	1	5