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.

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.

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.

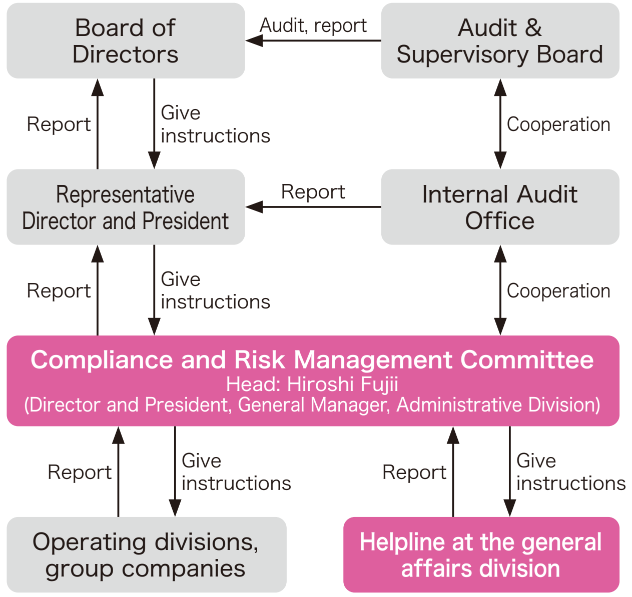
③ Communication with society
We shall strive to communicate with customers, shareholders, business partners, and local communities to ensure transparency of management and fulfill accountability.

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.

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