Functions and Roles of the Board of Directors and Audit & Supervisory Board

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.

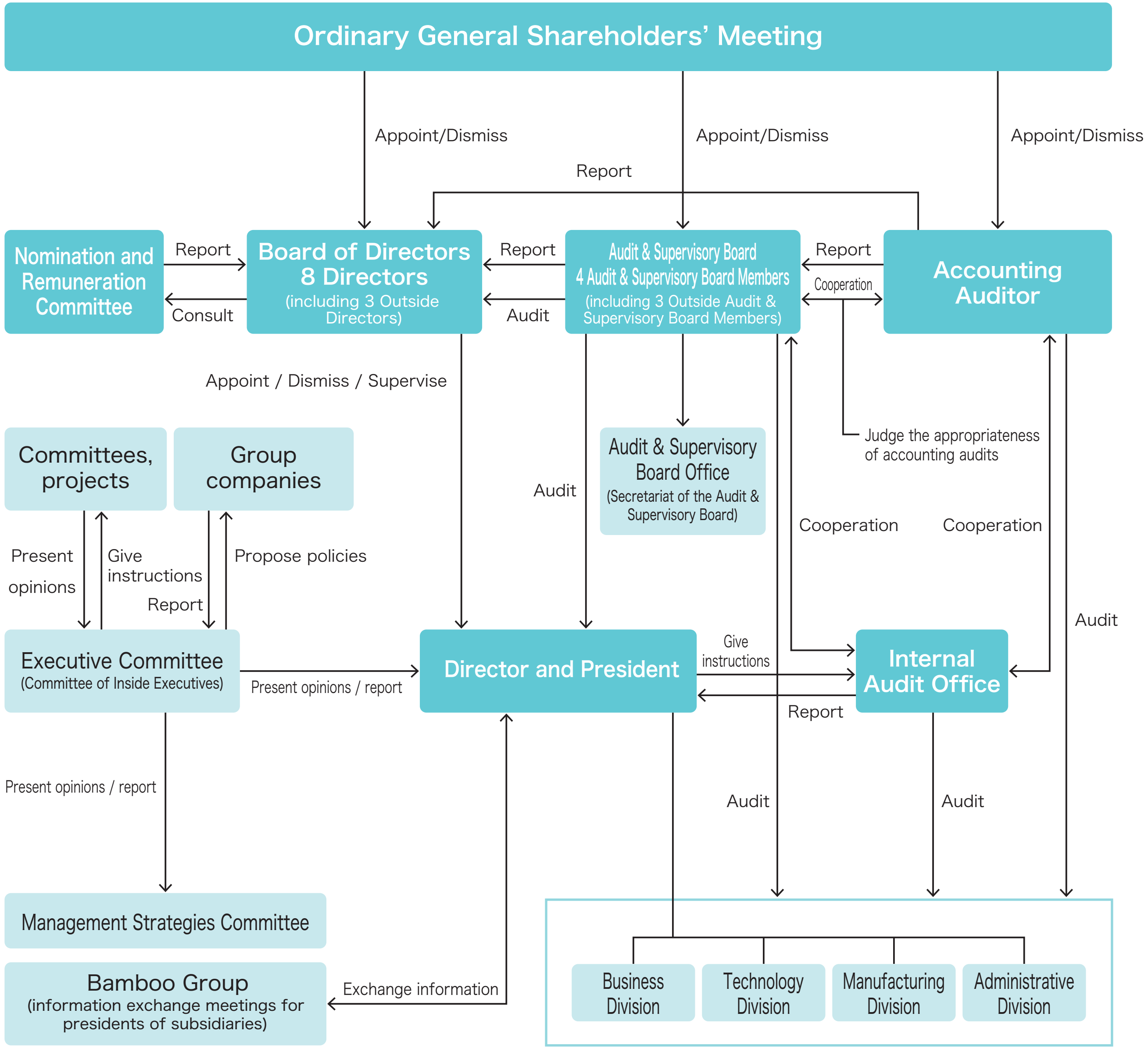
Reason for adopting a corporate structure with the Audit & Supervisory Board structure

At the Nikko Group, human resources who understand and are capable of putting into practice its Management Philosophy make decisions based on on-site situations in an appropriate manner. 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 consist of a person with management experience, a certified public accountant, and a lawyer, and are well-versed in Nikko's business. They closely cooperate with the outside directors, the Full-time Audit & Supervisory Board Member, and the internal audit division to provide appropriate advice and supervision, and thus ensure the objectivity and neutrality of management and supervision functions.

Governance structure diagram



Roles and composition of each supervisory body

Organization	Board of Directors	Audit & Supervisory Board	Nomination and Remuneration Committee
Composition	Chair ● 5 inside members + 3 outside members ● Representative Director and President is the chair	Chair ● 1 inside member + 3 outside members ● Internal, full-time Audit & Supervisory Board Member is the chair	Head ● 1 inside member + 2 outside members ● Representative Director and President is the head
Purpose and authority	● Approval of management strategies and key decisions ● Supervision of business execution by Representative Directors, Directors, and Executive Officers ● Monitoring of internal controls and risk management	● Supervision of business execution by Representative Directors, Directors, and Executive Officers ● Monitoring of internal controls and risk management ● Preparation of audit reports ● Determination of the agenda details regarding the appointment and dismissal of an accounting auditor ● Advice to the Board of Directors and management	● 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 ● Deliberation of policies regarding appointment and dismissal of Executive Officers to be submitted to the Board of Directors
Ratio of independent outside officers	38%	75%	67%
Number of meetings in FY2024	13	15	5
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**
8 Directors (including 3 Outside Directors) + 4 Audit & Supervisory Board Members (including 3 Outside Audit & Supervisory Board Members)
Chair: Tomomi Nakayama (Representative Director and President)

◆ **Audit & Supervisory Board**
4 Audit & Supervisory Board Members (including 3 Outside Audit & Supervisory Board Members)
Chair: Morie Okaaki (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: Tomomi Nakayama (Representative Director and President)

◆ **President and Outside Officers Meeting**
(1 Inside Director + 6 Outside Officers) + 1 Full-time Audit & Supervisory Board Member (observer)
Chair: Tomomi Nakayama (Representative Director and President)

Meeting bodies on business executive side

◆ **Committee of Inside Executives**
5 Inside Directors + 1 Full-time Audit & Supervisory Board Member + 8 Executive Officers + General Manager of Internal Audit Office
Chair: Tomomi Nakayama
(Representative Director and President)

◆ **Management Strategies Committee**
Internal directors involved in strategic themes + Executive Officers + Divisional General Managers
Chair: Tomomi Nakayama
(Representative Director and President)

◆ **Compliance and Risk Management Committee**
Head: Koichi Kawakami

◆ **Sustainability Committee**
Head: Toshimasa Miyake

◆ **M&A Examination Committee**
Head: Toshimasa Miyake

◆ **Finance Committee**
Head: Haruhiro Ogawa

◆ **Development Technology Committee**
Head: Hideto Horai

◆ **Safety and Health Committee**
Head: Koichi Kawakami

◆ **Personnel Evaluation Committee**
Head: Koichi Kawakami

◆ **Reward and Punishment Committee**
Head: Koichi Kawakami

◆ **Personnel System Committee**
Head: Koichi Kawakami

◆ **Improvement Activity Committee**
Head: Kazuhiro Yamada

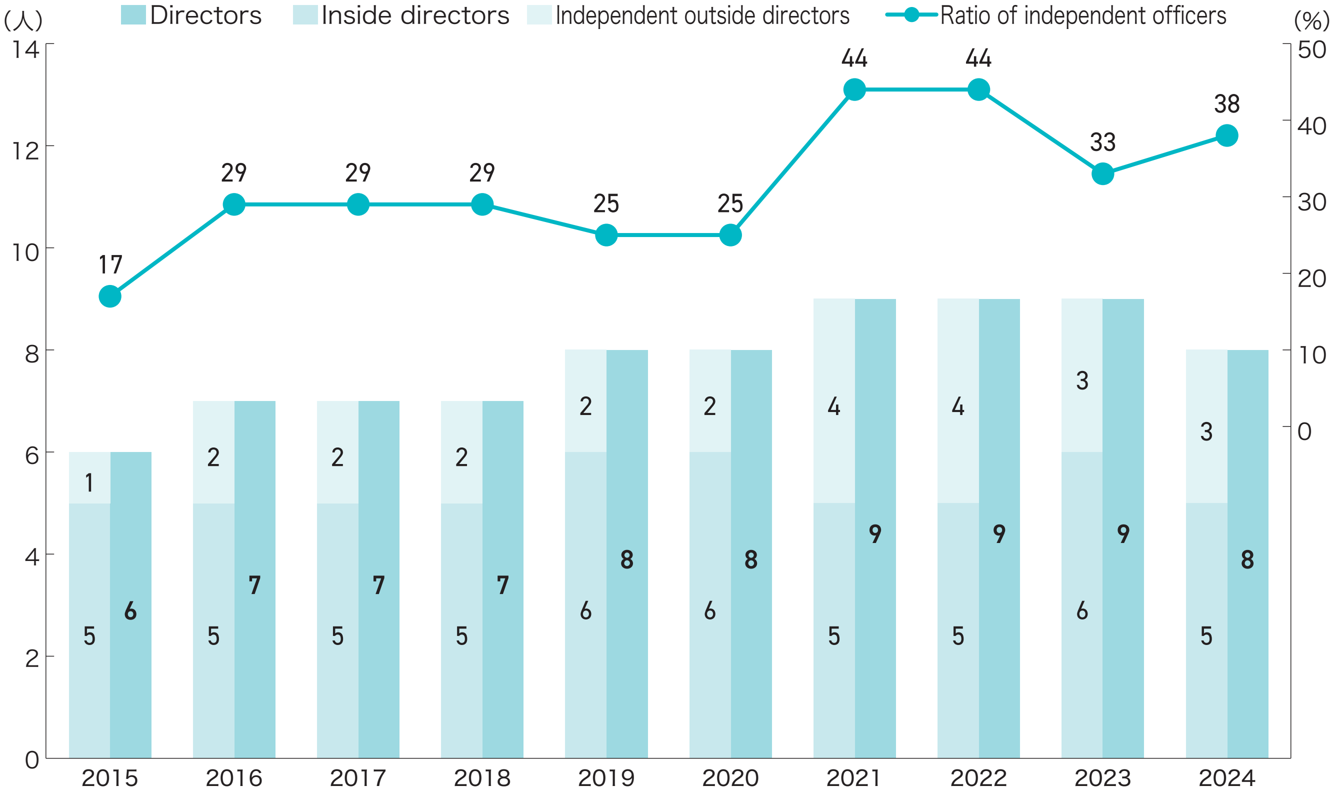
◆ **Tombo-kai Vitalization Committee**
Head: Katsumasa Takenami

◆ **Quality Control Committee**
Head: Toyokazu Uehara

History of ensuring management transparency and strengthening 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 systemEstablished 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 includinga female director (three outside directors including female director in 2023)
Established the Nomination and Remuneration Committee (optional)
- **2023** Established the Sustainability Committee
- **2024** Established the Nikko Group Human Rights Policy

Trend in ratio of independent outside directors at Board of Directors



Main deliberation items at the Board of Directors Meeting in FY2024

Based on the 2022-2024 Medium-Term Management Plan to realize the 2030 Vision, the Board conducted visiting audit of a subsidiary (Nikko Electronics) in October and had many discussions from various perspectives.
The Board also deliberated and reported intensively on the matters listed on right.

- 2025-2027 Medium-Term Management Plan
- Selection of representative directors
- Thai subsidiaries' business operations and financial support measures
- Measures to address occupational accidents
- Group company M&A and capital investment
- Review of strategically held shares
- Consideration of technology center construction
- Establishment of Nikko Group human rights policies
- Revision of the whistleblowing rules
- Situations of whistleblowing
- Self-evaluation questionnaire survey regarding effectiveness of the Board of Directors

Members of Board of Directors Meeting (as of July, 2025)

	Director candidate number	Name	Title	Attendance (Board of Directors Meeting in FY2024)	Appointed in	Number of Nikko shares held	Main expertise and experience: Independence (outside officers only)	Insight and experience*1 expected: Corporate management 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
	1	Masaru Tsuji	Director and Chairman, Director of Business Division	13/13	June 2008	120,600 shares		●	●				●	●	●		
	2	Tomomi Nakayama	Representative Director and President	13/13	June 2019	51,300 shares		●	●				●		●		Chair of Board of Directors Head of Nomination and Remuneration Committee
	3	Takeshi Sone	Director and Deputy Director of Business Division	13/13	June 2023	14,700 shares		●	●				●		●		
	4	Koichi Kawakami	Director and Director of Administration Division	13/13	June 2023	10,000 shares		●	●			●	●	●			
	5	Kazuhiro Yamada	Director and Director of Manufacturing Division	newly appointed	June 2025	13,400 shares		●	●			●	●		●		
Outside/Independent	6	Masafumi Ishii	Director	13/13	June 2021	9,300 shares	●				●	●				●	
Outside/Independent	7	Rika Saeki	Director	13/13	June 2021	0 None	●	●						●			Nomination and Remuneration Committee member
Outside/Independent	8	Shigeru Sadakari	Director	13/13	June 2022	10,400 shares	●	●		●	●						Nomination and Remuneration Committee member

Members of Audit & Supervisory Board (as of July, 2025)

	Audit & Supervisory Board Member candidate number	Name	Title	Attendance (Upper row: Audit & Supervisory Board Meeting in FY2024) (Lower row: Board of Directors Meeting in FY2025)	Appointed in	Number of Nikko shares held	Main expertise and experience: Independence (outside officers only)	Corporate management 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
	-	Morie Okaaki	Full-time Audit & Supervisory Board Member	10/10 10/10	June 2024	42,700 shares		●	●				●				Chair of Audit & Supervisory Board Observer, Nomination and Remuneration Committee
Outside/Independent	-	Naoki Ota	Audit &Supervisory Board Member	15/15 13/13	June 2019	1,400 shares	●	●				●					
Outside/Independent	-	Tsuyoshi Fukui	Audit &Supervisory Board Member	15/15 13/13	June 2019	1,800 shares	●			●							
Outside/Independent	-	Koji Yoneda	Audit &Supervisory Board Member	15/15 13/13	June 2022	1,400 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	Reason 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 Nikko, 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.

The Committee held five meetings in FY2024.The full-time Audit & Supervisory Board Member attends the Committee as an observer. Since April 2025, President and Representative Director Tomomi Nakayama has served as Chair of the Committee.

Roles	Position	Name	Attendance at Nomination and Remuneration Committee Meetings
Head	Director and President	Tomomi Nakayama (Appointed in April 2025)	(In FY2024, former Chair Masaru Tsuji attended five meetings.)
Member	Outside Director	Rika Saeki	(5/5)
Member	Outside Director	Shigeru Sadakari	(5/5)
Observer	Full-time Audit & Supervisory Board Member	Morie Okaaki (Appointed in June 2024)	(3/3)

Main deliberation matters in FY2024

The Nomination and Remuneration Committee deliberated intensively on the following matters.

- Personnel affairs of representative directors, directors, executive officers, and advisors
- Bonuses for officers
- Retirement age for officers
- Reform of executive officer system
- Revision of remuneration for officers

Basic policy regarding determination of director's remuneration

<Basic policies>

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.

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 restricted stock-based compensation.

Breakdown of director's remuneration (when the performance evaluation is average)

Breakdown	Basic compensation (70%)	Performance-linked compensation (30%)	
Type of remuneration	Fixed monetary compensation	Variable monetary compensation	Stock compensation (shares with restriction on transfer)
Composition ratio of remuneration types	**70%**	**20%**	**10%**
Evaluation indicators	—	Consolidated operating income/level of achievement of the management goals, etc.	

<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.The Board of Directors reviews the policy as necessary based on the recommendations of the Nomination and Remuneration Committee.

Determination of remuneration for each director

The amount of remuneration for each director is deliberated and recommended by the Nomination and Remuneration Committee, and is determined by the Director and President within the recommended range. Independent Outside Directors constitute the majority of the Nomination and Remuneration Committee members and the Chair of the Audit & Supervisory Board (Full-time Audit & Supervisory Board Member) participates as an observer. The Committee deliberates on matters referred by the Board of Directors under the Nomination and Remuneration Committee Rules, such as basic compensation, performance-linked compensation, stock compensation, and their proportions, and offers its recommendations on the matters.

Total remunerations by officer rank (results for FY2024)

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	Stock-based compensation	
Directors (excluding outside directors)	226	158	49	18	6
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board members)	25	19	4	1	2
Outside officer	44	40	3	—	6

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 FY2017.

<Evaluation method>

Method for effectiveness evaluation

- Anonymous questionnaire survey of all directors and Audit & Supervisory Board members (12 in total)
- The survey consists of 56 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 ···(12 questions)
2. Composition of the Board of Directors ··· (5 questions)
3. Operation of the Board of Directors ··· (9 questions)
4. Agenda items of and discussions at the Board of Directors Meetings ····(16 questions)
5. Provision of information and training ··· (8 questions)
6. Matters for continued deliberation ··· (1 questions)
7. Self-evaluation of officers ············· (5 questions)
8. Free description

Evaluation results

Based on the evaluation conducted through the process shown on the left, the Company has determined that there are no issues with the current corporate governance framework or the operation of the Board of Directors, both of which are functioning appropriately and effectively. For any newly identified issues, the Board of Directors will address improvements during the current fiscal year.

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

	Issues identified in the FY2023 effectiveness evaluation	Initiatives in FY2024 (Results)
Issue 1	Enhancing the supervisory function of the Board of Directors	● Strengthening information sharing on short- term management issues and the business environment ● Sharing deliberation content in the Committee of Inside Executives
Issue 2	Deepening deliberations on the Group's management strategy and capital policy	● Review of 2022-2024 Medium-Term Management Plan ● Formulation of 2025-2027 Medium-Term Management Plan ● Review of time allocations for deliberations ● Visiting audit to Nikko Electronics Corp. (October 2024)
Issue 3	Enhancing opportunities to deliberate on sustainability initiatives	● Implementing reports on business execution and meetings of executive officers
Issue 4	Enrichment of educational curriculum for executive officers and other personnel	● Holding of seminars for officers of group companies and others

	Issues identified in the FY2024 effectiveness evaluation
Issue 1	Deepening deliberations on the Group's management strategy and capital policy, including overseas expansion and M&A
Issue 2	Enhancing opportunities to deliberate on sustainability initiatives
Issue 3	Developing management personnel and enhancing educational programs
Issue 4	Dialoguing with shareholders and having discussions based on the dialogues

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.
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 of consolidated subsidiaries. Part-time Audit & Supervisory Board members mainly participate 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.

①Internal audit by the internal control division and mutual collaboration with the accounting auditor

Mainly, the Full-time Audit & Supervisory Board Member regularly exchanges information and opinion with the accounting auditor and the internal audit division, and accompanies them on their visiting audit and year-end inventory taking of branches to share the details and results of audits and report them to the Audit & Supervisory Board whenever necessary. Furthermore, the Full-time Audit & Supervisory Board Member regularly requests them to attend and present reports at Audit & Supervisory Board meetings to ensure close collaboration between the parties involved, including part-time Audit & Supervisory Board members, and enhance the auditing function.

②Status of supervision by the Audit & Supervisory Board Members

The Audit & Supervisory Board Meeting is held monthly prior to the Board of Directors meeting, and also held as necessary. It was held a total of 15 times in FY2024, 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.

③Key audit items and activity results

Numbers of visiting audits, interviews, and meetings in which the members participated	47 for Japanese business entities, 126 for Japanese subsidiaries, and 22 for overseas subsidiaries
Development and operation structure of internal control system of the group companies in Japan and abroad	One Japanese company was newly added to the Nikko Group in FY 2024. The Audit & Supervisory Board members proactively held visiting audit of said company and the existing group companies and interviews with their officers and other employees, strived to grasp the current situation and share information in cooperation with the internal audit division and accounting auditor, and expressed their opinions whenever necessary.
Initiatives for elimination of occupational accidents	The members strived to grasp the situation and expressed opinions whenever necessary by confirming the progress in initiatives at safety meetings (five times), Board of Directors Meetings (13 times), and Executive Committee Meetings (24 times) and by gathering information during visiting audits of business entities and subsidiaries.
Initiatives towards Medium-Term Management Plan	The members confirmed the progress and expressed their opinions whenever necessary by participating in the Board of Directors Meetings, Executive Committee Meetings, and Initiative Progress Meetings (six times) and by holding interviews during visiting audit of business entities and subsidiaries.

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 26 issues (15 sold-off issues) at a total value of 1.7 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)

	FY2020	FY2021	FY2022	FY2023	FY2024
Number of issues sold	9(5)	7(4)	2(0)	2(1)	6(5)
Amount sold	506	691	371	13	127
Book value	469	376	192	3	27
Gain on sales	38	314	178	10	100
Ratio of market capitalization to shareholders' equity (%)	11.8	12.7	9.6	13.9	15.7

( ) denotes the number of issues 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.

Dialogues with shareholders and investors

Event types	FY2020		FY2021		FY2022		FY2023		FY2024	
	Number of events	Number of participants	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	90	4	134	4	111	4	124	4	152
Individual meetings	17	23	10	18	6	10	6	10	10	14
Ordinary General Shareholders' Meeting	1	19/4,709	1	23/5,062	1	40/6,795	1	34/7,714	1	41/10,414

(Attendance on the day / Attendance by prior exercise of voting rights)