



Corporate Governance Guidelines

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NHK SPRING CO., LTD.

Corporate Governance Guidelines

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Chapter 1 General Rules

Article 1. Objective of the Guidelines

The objective of these guidelines is to clarify the Company's practical policy on corporate governance, thereby maintaining the soundness of group-wide management and enhancing corporate value over the medium to long term.

Article 2. Basic Approach to Corporate Governance

The Company aims to maintain sound management and increase corporate value over the medium to long term by developing management organizational structures and mechanisms and implementing the necessary measures. To achieve this, the Company shall adopt the following five basic approaches:

1. The Company is committed to ensuring the rights and equality of its shareholders and strives to create an environment in which they can exercise their rights appropriately.
2. The Company works to sustain good relationships by fulfilling its responsibility as a company to stakeholders, such as its shareholders, customers, partners, local communities, and employees.
3. The Company appropriately conducts disclosure based on the law while also actively working to provide information that is not required by law.
4. The Board of Directors will intensively deliberate on agenda items, determine top-level management policies, and oversee business management trends based on each member's knowledge and experience underpinned by a thorough understanding of the business. In addition, the Board will actively discuss management issues derived from the agenda items to fulfill its appropriate roles and responsibilities.
5. The Company will endeavor to engage in constructive dialogue with shareholders, and strive to disseminate and share information by providing senior management and Members of the Board with feedback on shareholders' opinions and other information collected through such dialogue.

Chapter 2 Shareholder Rights and Ensuring Equality

Article 3. Ensuring Shareholder Equality

The Company is committed to ensuring the rights and equality of its shareholders and strives to create an environment in which they can exercise their rights appropriately.

Article 4. General Meeting of Shareholders

1. To ensure sufficient time for shareholders to review the agenda items, the Company publishes the convocation notice of the General Meeting of Shareholders on its website and the website of the Tokyo Stock Exchange earlier than the statutory start date for electronic provision measures.
2. As a general rule, the Company endeavors to schedule General Meetings of Shareholders so as to avoid the so-called peak dates on which many companies hold their meetings.
3. The Company strives to establish an environment where all shareholders can appropriately exercise their voting rights by such measures as adopting electromagnetic means of exercising

voting rights, joining electronic voting platforms, and providing English versions of convocation notices (summaries).

Article 5. Capital Policy

1. To enhance corporate value through sustainable growth, the Company aims to maintain the level of shareholders' equity needed to expand its business globally. Regarding dividends, the Company places the utmost importance on distributing profits to its shareholders. In addition, in order to establish a sustainable management foundation, the Company comprehensively considers consolidated business performance, the dividend payout ratio, and the funds necessary for enhancing corporate value over the medium to long term, such as capital expenditures and R&D investments, and aims to deliver dividends stably and continuously.
2. The Company flexibly acquires treasury shares to enhance shareholder returns and capital efficiency, while considering its financial conditions, the business environment, and other factors.
3. To further promote capital cost-conscious management and enhance corporate value, the Company implements various financial measures to actively provide shareholder returns.

Article 6. Cross-shareholdings

1. As a general rule, the Company does not hold investment shares for pure investment purposes. However, the Company holds investment shares for purposes other than pure investment, but only when they are deemed conducive to enhancing the corporate value in its core business domains.
2. The Company strives to reduce the balance of cross-shareholdings, including deemed holdings, while assessing the trend in transaction volume with its business partners and its future relationships.
3. By regularly reporting issuers' dividend status, stock prices, etc. to the Board of Directors, the Company continues to examine the rationality of holdings. The Company comprehensively assesses quantitative and qualitative aspects of benefits and risks of shareholdings to determine whether they are appropriate.
4. Regarding the exercise of voting rights, the Company makes decisions based on whether they contribute to corporate value in the medium to long term, among other factors. Where material corporate governance concerns arise, such as events that significantly impair shareholder value or instances of scandals, and such concerns are expected to have a long-lasting impact, the Company shall exercise careful judgment.
5. The Company's cross-shareholdings policy is also disclosed on its website. (See the NHK SPRING website: "Cross-shareholdings")

Article 7. Anti-takeover Measures

The Company places the utmost importance on steadily executing the Medium-Term Management Plan and strengthening its corporate governance, thereby driving sustainable growth and enhancing corporate value to acquire appropriate market valuation. Therefore, the Company does not implement anti-takeover measures.

Article 8. Capital Policies that May Harm Shareholders' Rights

When implementing capital policies that will result in changes in control or significant dilution of shares, the Company sufficiently assesses the necessity and reasonableness of those policies, then proceeds with the process lawfully and appropriately, in accordance with the Companies Act, the Financial Instruments and Exchange Act and other related laws, while striving to disclose information in a timely manner.

Article 9. Transactions Between Related Parties

1. Regarding transactions involving conflicts of interest between the Company and its officers as set forth in the Companies Act, the Company carries out the appropriate procedures in accordance with the regulations thereunder.
2. Where the Company's Members of the Board engage in transactions with the Company involving conflicts of interest as set forth in laws and regulations, the transactions require the Board's prior approval and subsequent reporting thereto. Even for transactions with major shareholders, subsidiaries, or affiliates, the Company conducts negotiations in the same way as other ordinary business partners, and determines transaction conditions based on market prices.

Chapter 3 Collaborating Appropriately with Stakeholders Other Than Shareholders

Article 10. Formulation and Implementation of the Corporate Philosophy and Code of Conduct

The Company's Corporate Philosophy clearly defines the Group's value proposition, while the NHK SPRING Group Employees Code of Conduct stipulates that all its officers and employees comply with laws and corporate ethics, and respect its stakeholders, such as its shareholders, customers, partners, local communities, and employees. The Company is committed to putting these principles into practice.

Article 11. Sustainability Initiatives

1. Under its Guiding Principles and Corporate Philosophy, the Company continues to provide "Indispensable Key Parts" to transform society. In addition, the Company aims to create a sustainable society and enhance its corporate value in accordance with the NHK SPRING Group Basic Sustainability Policy.
2. To systematically promote sustainability, the Company operates the Sustainability Promotion Committee chaired by its Executive Vice President and Representative Member of the Board, and promotes sustainability initiatives company-wide.
3. The Company discloses its Group's sustainability policy, targets, and initiatives, and seeks proper communication with its stakeholders.
4. The Company appropriately identifies and assesses sustainability risks and opportunities, and incorporates outcomes of discussions at Sustainability Promotion Committee meetings into management strategies and business activities to drive sustainable growth and enhance its corporate value over the medium to long term.

Article 12. Ensuring Diversity

The Company strives to provide career development support and foster an organizational culture where employees with diverse values can leverage their unique abilities and thrive, regardless of attributes such as gender, nationality, and recruitment channels. The Company promotes specific measures to secure and develop diverse talent, and to improve the internal environment, and regularly discloses its targets, approaches, and progress related to these initiatives.

Article 13. Whistleblowing System

1. As a whistleblowing system for Group employees, the Company has a compliance hotline operated by an external third party.
2. The Company hosts the Partner Reporting Desk on its website. This allows its partners to report any incidents such as compliance violations in their transactions with the Company, thereby enabling it to promptly detect and correct issues.
3. If a compliance issue is reported, the Company conducts a fact-checking investigation. If the issue has been verified, the Company will take corrective measures and, if requested by the whistleblower, brief them on the Company's response. In addition, serious matters are appropriately reported by the chief compliance officer or the compliance officer to the Board of Directors.

Article 14. Corporate Pension

1. The Company's corporate pension reserves are managed by the NHK SPRING Corporate Pension Fund. The Fund entrusts the management of the pension reserves to multiple managers, which select individual investees and exercise voting rights in accordance with their respective management guidelines. In managing the pension fund, asset management and related specialists are assigned to the Fund's secretariat.
2. The Company regularly conducts hearings with managers of its corporate pension reserves. In addition, the Company has its asset management committee deliberate on asset allocation, management styles, composition of asset managers, etc., while ensuring that its board of representatives comprises representatives from both labor and management. Through such means, the Company strives to ensure stable asset formation for plan members and sound management of pension finances.

Chapter 4 Appropriate Disclosure and Ensuring Transparency

Article 15. Information Disclosure

1. Based on its disclosure policy intended to promote transparent corporate activities, the Company appropriately discloses information to stakeholders in a timely, appropriate, and fair manner pursuant to laws and regulations, and actively provides information that is not required by law.
2. To implement effective corporate governance, the Company discloses this policy and the following:

- (1) The Company's management information, including the Guiding Principles, Corporate Philosophy, and Medium-Term Management Plan
 - (2) Compensation policies for Members of the Board, Audit & Supervisory Board Members, and other officers
 - (3) Policies on nominating candidates for Members of the Board and Audit & Supervisory Board Members, and on appointing and dismissing senior management
 - (4) Reasons for appointing candidates for Members of the Board and Audit & Supervisory Board Members
3. When disclosing information, the Company presents it in a clear and specific manner so that it can be accurately conveyed to its stakeholders, including its shareholders. In addition to statutory disclosure, the Company is committed to disclosing information for its stakeholders' convenience.
 4. The Company continues to integrate its efforts to promote sustainability with its management strategies and appropriately discloses sustainability policies and initiatives. Regarding the impact of risks and opportunities related to climate change, the Company strives to enhance the quality and quantity of disclosure within the framework of the Task Force on Climate-related Financial Disclosures (TCFD). The Company also endeavors to enhance the disclosure of other sustainability initiatives in line with its management strategies and challenges.

Article 16. External Accounting Audit

1. The Representative Members of the Board of the Company and Group companies, External Accounting Auditors, and the Internal Auditing Dept. exchange views with Audit & Supervisory Board Members regularly or as needed to ensure effective auditing.
2. The Company provides necessary information and establishes an environment that facilitates accurate audits.
3. The Company's Board of Directors and Audit & Supervisory Board formulate annual auditing schedules upon consultation with External Accounting Auditors and secure sufficient time for auditing.
4. The Company secures sufficient time for meetings, etc. between External Accounting Auditors and senior management, including Representative Members of the Board and Executive Members of the Board.
5. If an External Accounting Auditor identifies misconduct and requests appropriate remedies, or raises deficiencies and issues, related Members of the Board take the lead in investigating and correcting them under the direction of the Representative Members of the Board, and report the results to the Board of Directors, etc. The Audit & Supervisory Board, led by Audit & Supervisory Board Members of the Company, coordinates with the Internal Auditing Dept. and related departments to provide recommendations regarding investigations and remedies, etc.

Chapter 5 Responsibilities of the Board of Directors, etc.

Article 17. Roles and Responsibilities of the Board of Directors

1. In order to achieve sustainable growth and medium- to-long-term enhancement of corporate value for the Company and Group companies, the Board of Directors exercises its supervisory function over all aspects of management to ensure fairness and transparency. In addition, it makes optimal decisions on important matters such as business execution, while appropriately dealing with the risks the Company faces.
2. The Board of Directors intensively deliberates on agenda items, determines top-level management policies, and supervises business management trends based on each member's knowledge and experience underpinned by a thorough understanding of the business. In addition, the Board actively discusses management issues derived from the agenda items in order to fulfill its appropriate roles and responsibilities.
3. The Board of Directors determines resolutions as set forth in laws, regulations, and the Articles of Incorporation, and matters related to critical business operations stipulated in the corporate regulations, while delegating authorities on other business operations to the Management Committee.
4. The Board of Directors delegates authorities on daily business execution to Corporate Officers overseeing their respective departments.
5. Regarding succession plans for the position of CEO (Chief Executive Officer), etc., the Board of Directors secures talent with experience, making decisions as Corporate Officers in the production, sales, and other departments, thereby ensuring periodic replacement of Members of the Board and consistency and continuity of management. Appointment and dismissal of Corporate Officers as well as their roles and ranks shall be subject to decisions by the Board of Directors.
6. Regarding succession plans, the Board of Directors shall consult with the voluntary Nomination and Compensation Committee, and seek advice therefrom.

Article 18. Determining Officer Compensation and Procedures

1. The Company views determination of compensations, etc. as means of strengthening its Group governance and enhancing its corporate value over the medium to long term.
2. Compensation for Members of the Board is based on the fundamental policy of ensuring appropriate levels that reflect the responsibilities of each member's position. The compensation consists of three components: fixed compensation as basic remuneration, performance-linked compensation as short-term incentives, and stock-based compensation as medium- to long-term performance incentives.
3. With regard to Independent External Directors, only basic remuneration shall be paid in light of their duties.
4. The ratio of basic remuneration to performance-linked compensation, non-monetary compensation, etc. shall be set appropriately in line with the sharing of interests with shareholders and the continuous enhancement of corporate value.

5. With regard to the amount of compensation for each individual, the Board of Directors, by resolution, shall delegate the decision on the specific details to discussions among the Representative Members of the Board, based on advice from the voluntary Nomination and Compensation Committee.
6. Audit & Supervisory Board Members shall receive fixed compensation within the limit of the total compensation amount as decided at the General Meeting of Shareholders. The specific allocation of compensation to each Audit & Supervisory Board Member is determined through discussions at Audit & Supervisory Board meetings.
7. The details for determining officer compensation and procedures are separately disclosed. (See the NHK SPRING website: “Policy on Compensation for Directors and Audit & Supervisory Board Members”)

Article 19. Supervision of Senior Management and Members of the Board

1. The Company’s Board of Directors monitors and supervises management execution as follows:
 - Division-specific quarterly business results, including specific differences from the previous term, are reported and assessed.
 - The Board of Directors requires that Corporate Officers in charge to regularly report on the progress of the Medium-Term Management Plan and the status of initiatives to achieve it.
 - Important investment and financing proposals are reviewed by the Investment and Loan Committee before being deliberated and resolved at the Management Committee. Furthermore, those proposals are escalated to the Board of Directors and resolved thereby.
2. The Company’s Board of Directors operates suitable internal control and risk management systems and supervises them to ensure information is disclosed appropriately and accurately.
3. In order to efficiently implement, assess, and correct priority measures, the Company implements a corporate management system.
4. The Board of Directors annually checks for transactions involving conflicts of interest through a “Members of the Board Duty Performance Confirmation Letter” for individual Members of the Board.

Article 20. Building and Supervising the Risk Management System

1. The Company establishes risk management regulations, compliance regulations, and internal control regulations related to financial reporting, which together form an appropriate risk management system.
2. The Company builds a risk management structure in which the President & COO (Chief Operating Officer) and Representative Member of the Board acts as the chief responsible officer and the President of the Corporate Planning and Control Division is placed in charge of promotion. The Company works to prevent risks from arising and minimize damage if risks do occur, and the Sustainability Promotion Committee manages the progress of these efforts.

3. In the event of a serious risk, the person in charge as set forth in the internal regulations reports it to the President & COO and Representative Member of the Board and builds a necessary system. The person also reports to the Sustainability Promotion Committee the case overview, including measures to prevent recurrence.
4. Representative Members of the Board, Members of the Board in charge of administrative divisions, and Audit & Supervisory Board Members of the Company strive to appropriately manage risks based on summaries of audit results regularly reported by the Internal Auditing Dept. The Audit & Supervisory Board regularly receives similar reports, and any identified critical matters will be explained by the Internal Auditing Dept. at discussion meetings between Independent External Directors and Audit & Supervisory Board Members.

Article 21. Roles and Responsibilities of Audit & Supervisory Board Members and the Audit & Supervisory Board

1. To live up to shareholders' expectations and social trust, Audit & Supervisory Board Members and the Audit & Supervisory Board audit the execution of duties by Members of the Board as an independent body and carry out matters stipulated in laws, regulations, and the Articles of Incorporation. As such, they shall help establish a high-quality corporate governance system that will enable the sound and sustainable growth of the Company and its Group companies.
2. To enhance the quality and efficiency of audits, Audit & Supervisory Board Members and the Audit & Supervisory Board ensure that Audit & Supervisory Board Members, Accounting Auditors, and the Internal Auditing Dept. actively coordinate and strive to maintain close communication throughout the year so that they can obtain and share necessary information for audits as appropriate and conduct appropriate audits.
3. The Company implements necessary measures to strengthen the function of the Audit & Supervisory Board, including appointment of highly independent External Audit & Supervisory Board Members and Audit & Supervisory Board Members with financial and accounting expertise.

Article 22. Fiduciary Duties of Members of the Board, Audit & Supervisory Board Members, etc.

Members of the Board and Audit & Supervisory Board Members recognize their fiduciary duties and disclose information to their stakeholders in a timely manner, while increasing dialogue opportunities to enhance stakeholder engagement and maximize common interests for the company and shareholders over the medium to long term.

Article 23. Supervision and Execution of Management

The Company clearly distinguishes between the roles of the Board of Directors, which is responsible for corporate management and supervision, and those of Corporate Officers, who are responsible for business execution. This enables the Board of Directors to concentrate on discussing and making important management decisions, and supervise business execution by Corporate Officers, with the aim of maintaining and further enhancing management efficiency and continuously enhancing corporate value over the medium to long term through the corporate governance system.

Article 24. Roles and Responsibilities of Independent External Directors

1. For decisions on management policies and individual important cases, Independent External Directors provide advice in an independent capacity based on their own knowledge. They also monitor for transactions involving conflicts of interest between the Company and senior management, and supervise appointment and dismissal of senior management.
2. Under the Company's basic appointment policy, at least one third of the Board of Directors shall be Independent External Directors.
3. Independent External Directors strive to maintain regular communication and coordination.

Article 25. Criteria and Qualifications for Determining the Independence of External Directors/Auditors

In accordance with the Company's independence requirements, External Directors/Auditors are selected from among candidates who have no special personal, capital, or other interests in relation to the Company. Such candidates include those with management experience at other corporations. (See the NHK SPRING website: "Independence Criteria for External Directors/Auditors")

Article 26. Enhancement of Governing Structures

1. To strengthen the independence and objectivity of decisions made in relation to nomination and compensation of officers, including succession plans, the Company operates a voluntary Nomination and Compensation Committee as an advisory body to the Board of Directors, which provides advice on nomination of officers and remuneration paid to Members of the Board.
2. By establishing voluntary organizations, including the Nomination and Compensation Committee and the Sustainability Promotion Committee, the Company reinforces and strengthens its governance function.

Article 27. Ensuring Effectiveness of the Board of Directors and Audit & Supervisory Board

1. Candidates for Members of the Board are selected and nominated by comprehensively assessing their strong insight into the Company's business, their ability to cooperate with other officers, etc. to solve problems in line with the Company's Corporate Philosophy, and strong awareness of compliance with laws and corporate ethics. In addition, under the Company's basic policy, the Company shall take into account the balance of the entire Board of Directors, as well as the experience, authority, and expertise of each individual, in order to create an optimal structure that can appropriately respond to management issues. The CEO is nominated by comprehensively assessing the candidate's qualification, including the ability to make precise management decisions that will drive sustainable growth and enhance the corporate value over the medium to long term. In cases where dismissing the CEO is objectively deemed appropriate due to serious violations of laws, the Articles of Incorporation, etc., the CEO may be dismissed after deliberation by the Board of Directors.
2. The Company prepares and discloses skill matrices that indicate the knowledge, experience, capabilities, and other attributes of individual Members of the Board.

3. The Company appoints Audit & Supervisory Board Members of the Company from among candidates with extensive in-house experience and knowledge of finance, accounting, and legal affairs. The Company appoints External Audit & Supervisory Board Members from among candidates with extensive experience and advanced expertise in corporate management, finance, accounting, and legal affairs.
4. Members of the Board who hold concurrent positions as directors at other companies make efforts to keep such concurrent appointments within a reasonable scope that does not impede the performance of their duties at the Company.
5. The Company conducts a periodic self-evaluation of the Board of Directors, in which all Members of the Board and Audit & Supervisory Board Members participate. The summary of the self-evaluation results is published on the Company's website. (See the NHK SPRING website: "Board of Directors effectiveness evaluation")

Article 28. Revitalizing Deliberations at Board of Directors Meetings

1. As a general rule, agenda items for Board of Directors meetings are deliberated in advance by the Management Committee, which is the highest decision-making body at the executive level. Therefore, Members of the Board other than Independent External Directors shall attend Board of Directors meetings with a thorough understanding of these items.
2. To deepen understanding of agenda items and actively participate in discussions at Board of Directors meetings, Independent External Directors shall be briefed on the items before attending such meetings.
3. The Company provides opportunities for Independent External Directors to better understand its business and obtain information. These include unofficial meetings on the days of Board of Directors meetings, and Board of Directors meetings held at plants outside the head office premises approximately once a year.
4. The Company shares the annual schedule of Board of Directors meetings with all Members of the Board at the beginning of the fiscal year, and promptly provides notification of any changes.

Article 29. Obtaining Information and Support Systems

1. To effectively fulfill their roles and responsibilities, Members of the Board and Audit & Supervisory Board Members request additional information from the Corporate Planning Department, which is the Board of Directors secretariat, and Corporate Officers in charge of departments related to agenda items as needed to obtain necessary information for decision making.
2. If such decisions require opinions from external experts, Members of the Board and Audit & Supervisory Board Members consider seeking advice from them.
3. To verify the appropriateness, efficiency, and compliance of operational processes, Audit & Supervisory Board Members and the Internal Auditing Dept. coordinate with each other and systematically audit operations and internal control systems at applicable sites. Regarding internal controls related to financial reports, the Internal Auditing Dept. coordinates with the accounting,

finance, and information system departments, and annually conducts tests and evaluations for applicable sites.

Article 30. Training of Members of the Board and Audit & Supervisory Board Members

1. For the purpose of obtaining various up-to-date insights that senior management needs, the Company regularly organizes lectures by external lecturers and internal training for all Members of the Board and Audit & Supervisory Board Members.
2. The Company bears the necessary expenses for Members of the Board and Audit & Supervisory Board Members to fulfill their roles.

Chapter 6 Dialogues with Shareholders

Article 31. Constructive Dialogues with Shareholders

1. To promote highly transparent corporate activities and help enhance corporate value over the medium to long term, the Company strives to build trust with its shareholders through constructive dialogues.
2. Shareholder dialogues are conducted by the CEO, COO (Chief Operating Officer), CFO (Chief Financial Officer), etc. depending on individual requests.
3. To ensure constructive shareholder dialogues and fair and appropriate disclosure of investor relations information, the Investor Relations department strives to organically coordinate with related departments, including Group companies, under the direction of the CFO, who oversees investor relations.
4. The Company strives to enhance shareholder dialogues through plant tours at major Group sites, business strategy briefings for analysts and institutional investors, etc. In addition, the Company actively discloses information to shareholders in an approachable way through its website, news releases, and active participation in media interviews.
5. In disclosing information, the Company follows the Fair Disclosure Rules under the Financial Instruments and Exchange Act.
6. The Company strictly manages insider information in accordance with its insider trading prevention regulations and confidential information management regulations. By refraining from engaging in dialogues with shareholders regarding earnings information before the announcement, the Company aims to prevent insider information from leaking.
7. The Company summarizes and reports to the Board of Directors shareholders' opinions, concerns, etc. identified through shareholder dialogues as appropriate, thereby disseminating and sharing information.

Article 32. Formulating and Publishing Management Strategies and Plans

1. The Company discloses the following on its website as shareholder and investor information, including the Medium-Term Management Plan: the basic policies on revenue plans and capital

policies; targets relating to profitability, capital efficiency, etc.; and the direction of its business portfolio. (See the NHK SPRING website: “Medium-Term Management Plan”)

2. The Company carries out sustainability activities in accordance with the NHK SPRING Group Basic Sustainability Policy. To drive sustainable growth by implementing resource allocation plans systematically and strategically, the Company discloses its management resource allocation, including cash allocation plans.