

Corporate Governance Report

CORPORATE GOVERNANCE

NHK SPRING Co., Ltd.

Last Update: June 25, 2025

NHK SPRING Co., Ltd.

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Securities code: 5991

<https://www.nhkspg.co.jp/en>

The corporate governance of NHK SPRING Co., Ltd. (“Company”) is as described below.

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

1. Basic Stance

The Company aims to maintain sound management and increase corporate value from the medium- to long-term perspective by developing management organizational structures and mechanisms and implementing the necessary measures. To achieve this, the Company has adopted the following five basic policies.

1. The Company ensures 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 independently striving to provide information other than that required by law.
4. The Board of Directors will intensively deliberate on agenda items, determine the supreme management policy, and supervise 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 in order to fulfill its appropriate roles and responsibilities.
5. The Company will endeavor to engage in constructive dialog with shareholders, and strive to disseminate and share information by providing feedback to management and members of the Board on the opinions and other information collected through such dialog.

Please see the Company’s website for its basic stance and basic policies on corporate governance.
<https://www.nhkspg.co.jp/en/sustainability/governance/corporate/system>

Reasons for Non-Compliance with the Principles of the Corporate Governance Code Updated

[Supplementary Principle 2.4.1 Ensuring diversity in core positions, etc.]

<Stance on ensuring diversity, and voluntary measurable objectives and their state>

The NHK Spring Group Basic Global CSR Policy states that the Company will “uphold human rights, advocate D&I, care for others, and nurture people.” The Company appoints competent personnel to managerial positions, etc., to ensure diversity in core positions, etc., regardless of their sex and nationality and whether they are fresh graduates or mid-career hires.

The Company is committed to initiatives, among others, for raising the ratio of female managers and increasing female employees who will be candidates for managerial positions, setting itself specific objectives.

These objectives and the state of the initiatives are disclosed in the annual securities report, the NHK Spring Report, etc.

The Company’s objective in promoting foreign nationals and mid-career hires to managerial positions is to exceed the present level. Actual results data will be disclosed in the NHK Spring Report, on the Company website, etc.

<Human resources development policy and internal environmental improvement policy for ensuring diversity, and the state of these policies>

The Company offers a wide variety of products, including products for automobiles, information and communications, industrial use, and everyday use, and as an independent manufacturer, the Company has personnel engaged in a diverse range of operations in and outside Japan, such as research and development, design, procurement, production, sales, and management. The Company believes that it is important to secure and build personnel with a high standard of expertise in each area and those who can show leadership in carrying out reforms in response to internal and external environmental changes, and to further improve the employment environment to provide a foundation that helps these personnel to deliver good performances and attain growth.

In order to secure and build diverse personnel and improve the internal environment, one of the Company's management policies is to "build a safe and secure company and a rewarding and comfortable workplace." Its stance on ensuring diversity and specific measures is disclosed in the NHK Spring Report, on the Company website, etc.
https://www.nhkspg.co.jp/hubfs/nhkspg.co.jp/en/pdf/sustainability/report/2024_en.pdf

Disclosure Pursuant to Each Principle of the Corporate Governance Code

[Principle 1.4 Cross-Shareholdings]

(1) Policy on cross-shareholdings

The Company does not, in principle, hold investment stocks purely for the purpose of investment. The Company holds investment shares for purposes other than pure investment only when they are judged to contribute to the enhancement of the Company's corporate value, such as suppliers and sales partners for new development and production activities to sustain growth in the Company's main business fields of automotive components business, electronic components business, and industrial equipment-related business.

In the "2026 Medium-term Management Plan" announced in May 2024, the Company set a target of reducing the balance of shares held as cross-shareholdings, including deemed holdings, to less than 20% of consolidated net assets. The Company will continue to reduce shares held as cross-shareholdings while monitoring the trends in transactions with its business partners and examining its future relationships with them.

(2) Verification of appropriateness of shareholdings

The Company regularly reports data on the issuing companies' dividend distribution, stock prices, etc., in recent fiscal years to the Board of Directors, and verifies continuously whether the shareholdings remain reasonable. For each individual stock, the Company evaluates the appropriateness of shareholding with various factors taken into account, based on quantitative evaluations, including the benefits (such as dividend income and gains or losses on stock valuation) and risks of shareholding, as well as qualitative evaluations, including events leading up to the acquisition of the shares and the significance of holding them.

(3) Criteria regarding the exercise of voting rights

With regard to the exercise of its voting rights, the Company does not rely on uniform approval/disapproval criteria, but it looks at each investee company's proposals in terms of whether the proposals will contribute to the medium-to-long term improvement of its corporate value while paying due respect for its management policies, strategies, etc. This stance is disclosed on the Company website as well. The Company makes careful decisions in the event of a reorganization or other event that will significantly damage shareholder value or in the event of a publicly reported scandal or other serious corporate governance concern that may have long-running consequences. The Company's policy on holding shares for non-investment purposes is disclosed on the following page of the Company website as well.
<https://www.nhkspg.co.jp/en/sustainability/governance/corporate/possession>

[Principle 1.7 Related Party Transactions]

The Company performs appropriate procedures on conflict-of-interest transactions between the Company and its directors prescribed in the Companies Act in accordance with the regulations prescribed in the Act. At the end of each fiscal year, the Company conducts a questionnaire-based investigation to know if its directors are involved in any related-party transactions and detect any abnormal transactions for the purpose of grasping information on related-party transactions that is to be included in the annual securities report and the financial statements. There are Company rules that require Directors to obtain the advance approval of the Board of Directors and submit ex post facto reports for any transactions with the Company. Even in the case of transactions with major shareholders, subsidiaries, or affiliates, the Company negotiates the business terms in the same way as it would do with other ordinary entities, and determines them in light of the market prices.

[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]

Reserve funds for the Company's corporate pension plan are managed and invested by the NHK Spring Corporate Pension Fund. The Pension Fund avoids conflicts of interest between the corporate pension beneficiaries and the Company by entrusting the investment of the reserve funds to more than one organization and by choosing individual investment destinations and exercising voting rights in accordance with the investment guidelines set by each organization. The Pension Fund has an administration office staffed with personnel who have expertise in asset investment, etc. The Pension Fund has systems for ensuring stable asset building for the participants, beneficiaries, etc., and for realizing the proper operation of the pension finance, including regular interviews with the investing organizations about the performance; an "asset investment committee," which is composed of personnel familiar with human resources management, finance, risk management, market transactions, and other operations, and discusses asset allocations, investment styles, the trustee mix, etc.; and a board of representatives composed of personnel from labor and management.

[Principle 3.1 Full Disclosure]

(1) Management philosophy, management plan, etc.

The Company's guiding principles, corporate philosophy, medium-term management plan, etc., are disclosed on the Company website, in reference materials for financial results briefings, in the NHK Spring Report, etc.

(2) Basic stance and basic policy on corporate governance

The Company's basic stance and basic policies on corporate governance are disclosed on the Company website, in its corporate governance reports, etc., as well as in I.1 "Basic Stance" of the present report.
<https://www.nhkspg.co.jp/en/sustainability/governance/corporate/system>

(3) Policies and procedures for determining the compensation to management executives, etc.

The Company's basic stance and basic policies for determining the compensation to Directors, Audit & Supervisory Board Members, and other directors are described in II.1 "Disclosure of Policy on Determining Compensation Amounts and Calculation Methods" of the present report.

(4) Policies and procedures for appointing and removing management executives, and nominating candidates for director positions, etc.

Candidates for Director positions and Audit & Supervisory Board positions are nominated with various factors taken into account, as follows.

[1] Candidates for Director positions—Selected and nominated candidates are those who have been judged to be qualified in light of various requirements, including deep insight into the Company’s business; the ability to collaborate with other directors, etc., and solve problems in accordance with the Company’s corporate philosophy; and a strong awareness of compliance with laws and corporate ethics.

[2] Candidates for Audit & Supervisory Board positions—Selected and nominated candidates are those who have been judged to be qualified in light of various requirements, including commitments to auditing the duties of Directors in accordance with the Company’s corporate philosophy to prevent violations of laws and the Articles of Incorporation; commitments to ensuring the sound management of group companies and maintaining and improving their public trust; and the ability to conduct audits from a neutral and objective standpoint and contribute towards ensuring sound management.

[3] Candidates for external director positions—Selected and nominated candidates are those who have been judged to be qualified in light of various requirements, including the ability to provide independent advice on corporate governance from a broad perspective and meet the trust of investors; extensive experience and broad insight as a business manager or specialist; and the ability to provide appropriate advice and conduct fair oversight from an external viewpoint. Independent external directors must meet the independence requirements set by the Company (i.e., they must not have any special human or capital ties with or other stakes in the Company).

[4] Appointment and removal of individual management executives—Proposed management executives are those who have been judged to be qualified in light of various requirements, including deep insight into the Company’s business; the ability to collaborate with other directors, etc., and solve problems in accordance with the Company’s corporate philosophy; and a strong awareness of compliance with laws and corporate ethics. Their appointment takes place after deliberations by the Board of Directors. Management executives are removed after deliberations by the Board of Directors if there are objective justifications for their removal, such as serious violations of laws or the Articles of Incorporation.

(5) Reasons for the selection of candidates for Director positions and Audit & Supervisory Board positions are disclosed in the notice of the general meeting of shareholders.

The Company established a voluntary nomination and compensation committee in order to further ensure the independence and objectivity of decisions regarding director nomination and compensation, including succession plans. This committee is an advisory organ for the Board of Directors with a majority of its seats assigned to independent external directors, and it provides the Board of Directors with advice on matters concerning proposed director appointments and removals, and compensation to directors.

[Supplementary Principle 3.1.3 Sustainability initiatives, etc.]

In April 2024, the Company designated departments in charge of sustainability promotion and established a committee for sustainability promotion. The Company will promote cross-sectional collaboration and continuously work on the integration of sustainability promotion initiatives with management strategies. The Company has also conducted a deeper analysis of the impact of climatic change risks and opportunities on its business activities, and has been continuing its efforts to upgrade its disclosures in accordance with internationally established frameworks. In order to disclose more information about its carbon neutrality initiatives, the Company announced targets under its medium-term management plan in May 2024. In its annual securities report released in June 2025, the Company disclosed its established goals regarding CO₂ emissions reduction, including those for its overseas group companies. The Company has also been upgrading its human rights initiatives, including human rights due diligence, and the Company will disclose more information about these initiatives. The Company’s sustainability policies and initiatives are disclosed on the Company website, and in annual securities reports and integrated reports (NHK Spring Report).

<https://www.nhkspg.co.jp/en/sustainability>

[Supplementary Principle 4.1.1 Determination and disclosure of the scope of delegation to the management]

The Board of Directors decides matters that are required by laws and the Articles of Incorporation to be decided by the Board of Directors, and matters concerning the management of important operations specified in the Company’s internal rules, and delegates other authorities related to operations management to the Management Committee. Authorities related to day-to-day operations are delegated to Corporate Directors in charge of the operating departments.

[Principle 4.9 Independence Standards and Qualification for Independent Directors]

The Company determines that an external director or candidate for an external director position is independent if, to the best of the Company’s reasonable research-based knowledge, the individual does not fall under any of the items below.

1. A person who is an executive (Note 1) of the Company or a Company subsidiary (hereinafter collectively referred to as “Company Group”) or was a Company Group executive in the past ten years
2. A person for whom the Company Group is a major trading partner (Note 2), or its executive
3. A person who is a major trading partner of the Company Group (Note 3), or its executive
4. A consultant, lawyer, certified public accountant, or other specialist service provider who receives a large amount of money or other property (Note 4) from the Company Group, in addition to compensation as an director (or a person who belongs to a corporation, association, or other organization receiving such property)
5. A person who receives a large amount of contribution (Note 5) from the Company Group (or an executive of a corporation, association, or other organization receiving such property)
6. A person who audits the Company as a member, etc., of an auditing firm that conducts statutory audits of the Company Group
7. An executive of a financial institution that is a major lender (Note 6) for the Company Group
8. A major shareholder (Note 7) of the Company, or an executive of the major shareholder if it is a corporation
9. An executive of a corporation whose major shareholders include the Company Group
10. The spouse or a relative within the second degree of kinship of a person falling under one of the items 1 to 9 above who is considered to be an important person (Note 8)
11. A person who fell under any of the items 2 to 9 above in the past three years

Note 1. “Executive” means an executive director, executive manager, executive director, or other person or employee of a similar nature of a corporation or other organization.

Note 2. “Person for whom the Company Group is a major trading partner” means a person who received payment from the Company Group of amounts equal to or greater than 2% of the Company Group’s annual consolidated net sales in the last consolidated fiscal year.

Note 3. “Person who is a major trading partner of the Company Group” means a person who paid the Company Group amounts equal to or greater than 2% of the Company Group’s annual consolidated net sales in the last consolidated fiscal year.

Note 4. “A large amount of money or other property” means that the average amount for the past three fiscal years up to and including the last one exceeds 10 million yen per year.

Note 5. “A large amount of contribution” means that the average amount for the past three fiscal years up to and including the last one exceeds 10 million yen per year.

Note 6. “Major lender” means a lender with which the Company Group’s outstanding loans as of the end of the last fiscal year exceeded 1% of the Company Group’s consolidated total assets.

Note 7. “Major shareholder” means a shareholder who directly or indirectly owns voting rights representing 5% or more of all voting rights.

Note 8. “Important person” means a Director (other than External Director), Audit & Supervisory Board Member (other than External Audit & Supervisory Board Member), Corporate Director, or employee in a senior management position at or above the department director level.

[Supplementary Principle 4.10.1 Authorities, roles, etc., of a voluntary nomination and compensation committee]

The Company established a voluntary nomination and compensation committee in order to further ensure the independence and objectivity of decisions regarding director nomination and compensation, including succession plans. This committee is an advisory organ for the Board of Directors with a majority of its seats assigned to independent external directors, and it provides the Board of Directors with advice on matters concerning proposed director appointments and removals, and compensation to directors.

[Supplementary Principle 4.11.1 Stance on diversity in the Board of Directors]

The Company currently has nine Directors, including four external ones. The board’s composition is balanced because its experienced and insightful members cover diverse areas, from sales to engineering, finance, legal affairs, etc., and they have the skills that the Company thinks are required in light of its management strategies. The skill matrix that shows each Director’s skills is included in the notice of the general meeting of shareholders.

<https://www.nhkspg.co.jp/en/ir/stockholder>

The Company has three female External Directors. The Company’s policies on director selection are as described in Principle 3.1 iv) (Board policies and procedures in the nomination of directors candidates). Independent External Directors include those who have experience in running other corporations.

[Supplementary Principle 4.11.2 Assumption of plural offices by Directors and Audit & Supervisory Board Members]

If a Company Director is to concurrently serve as a director of another company, efforts are made to ensure that the scope of the person’s concurrent service does not interfere with the person’s performance of duties as a Company Director. Information on the concurrent positions that Company directors hold in other listed companies is as described in the notice of the general meeting of shareholders.

[Supplementary Principle 4.11.3 Board of Directors effectiveness evaluation]

The Company regularly performs self-evaluation of the Board of Directors by sending a questionnaire to board members (i.e., Directors and Audit & Supervisory Board Members).

<Questionnaire items>

1. Composition of the Board of Directors, 2. Operation of the Board of Directors, 3. Enhancement of Board deliberations, 4. Operation of the Nomination and Compensation Committee, 5. Communication with shareholders and investors, 6. Board’s organizational design, 7. Support system and information provided to external members of the Board (answered only by external members of the Board)

<Overview of the self-evaluation results>

An overview of the results of the FY2023 evaluation performed in FY2024 is disclosed on the Company website.

<https://www.nhkspg.co.jp/en/sustainability/governance/corporate/evaluation>

Based on the results of the questionnaire, the Company believes that the Board of Directors as a whole is effectively fulfilling its roles and responsibilities, with individual proposals discussed and examined from various perspectives through active discussions by the Board, which is endowed with a diverse range of knowledge. The Company has taken remedial actions as appropriate for the deficiencies identified and will continue to conduct self-evaluations and endeavor to improve and enhance the effectiveness of the Board of Directors.

[Supplementary Principle 4.14.2 Policy on the training of Directors and Audit & Supervisory Board Members]

The Company regularly conducts internal training seminars for all Directors and Audit & Supervisory Board Members to provide them with various knowledge updates necessary for business management. These seminars consist of lectures by outside lecturers and the exchange of opinions among the participants. The Company has taken various steps to make these seminars more effective, including requiring Corporate Directors to participate as well. The Company also encourages newly appointed Directors to attend outside seminars to acquire basic knowledge about compliance and business management.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

(1) The Company endeavors to provide shareholders with fair and accurate information and gain their understanding through constructive dialogues. Dialogues (face-to-face) with shareholders take place in the form of financial results briefings and small meetings for analysts and institutional investors in the second and fourth quarters at which the COO, CFO, and Corporate Officer provide explanations.

(2) Vigorous efforts to make fair and proper IR information disclosures are made by the department in charge in cooperation with relevant departments, including group companies, under the direction of the CFO, who is responsible for IR information.

(3) In addition to the financial results briefings and small meetings in the second and fourth quarters, the Company willingly provides other opportunities for constructive dialogues, such as individual IR meetings. Furthermore, the Company actively holds dialogues with shareholders at which the CEO is present in person whenever possible. The Company also holds business strategies briefings for analysts and institutional investors at the Company Group’s major sites. In addition, the Company proactively issues press releases about its capital investment related to next-generation growth areas, and it accepts press requests for interviews with the CEO, COO, and CFO whenever possible. All of these activities represent the Company’s efforts to announce its state to shareholders in an easy-to-understand manner.

(4) Shareholders’ opinions, concerns, etc., understood through the dialogues are collected from time to time, and they are reported to the Board of Directors and fed back to the management and Directors for dissemination and sharing as needed.

(5) The Company has a silent period immediately before the announcement of financial statements, and the Company refrains from discussing its financial results during this period. The Company also controls insider information strictly in accordance with internal rules regarding the prevention of insider trading and the management of confidential information.

(6) The Company conducts shareholder surveys at the end of March and September every year to grasp the actual shareholder structure.

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

Content of Disclosure Updated	Disclosure of Initiatives (Update)
Availability of English Disclosure Updated	Available
Date of Disclosure Update Updated	June 25, 2025

Explanation of Applicable Items Updated

In order to further promote management that is conscious of the capital cost and increase its corporate value, the Company introduced ROIC (rate of return on invested capital) as a new KPI in addition to ROE, starting from its 2026 Medium-term Management Plan. The Company is taking various financial measures to achieve an ROE of 10% or more and an ROIC of 7% or more in FY2026. In addition to successive dividend increases since the fiscal year ended March 2022 (69 yen per share for the fiscal year ended March 2025, representing a 27-yen year-on-year increase), the Company is steadily making the largest possible shareholder returns, including by acquiring treasury shares continuously (by the end of the fiscal year ended March 2025, a cumulative total of 15,610,000 shares was acquired).

Furthermore, as described in [Principle 5.1 Policy for Constructive Dialogue with Shareholders], the Company is committed to holding dialogues with shareholders and investors and enhancing its disclosures further so that it will receive proper ratings from the stock market. Please see below for financial indicators and other updates related to the 2026 Medium-term Management Plan.

Pages 31 to 34 of “Financial Results for the Fiscal Year Ended March 2025”

https://www.nhkspg.co.jp/hubfs/nhkspg.co.jp/en/pdf/ir/library/meeting/2025/2025_03_en.pdf

2. Capital Structure

Foreign Shareholding Ratio Updated	20% or more but less than 30%
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Status of Major Shareholders Updated

Name or Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (trust account)	26,757,700	13.11
Mitsubishi UFJ Trust and banking Corporation. (Daido Steel Co.,Ltd. retirement benefit trust account, co-trustee : The Master Trust Bank of Japan, Ltd)	22,392,000	10.97
Sojitz Corporation	13,199,462	6.47
Custody Bank of Japan, Ltd. (trust account)	11,135,000	5.46
Custody Bank of Japan, Ltd.(Kobe Steel, Ltd. retirement benefit trust account re-entrusted by Mizuho Trust & Banking Co., Ltd.)	9,504,000	4.66
Custody Bank of Japan, Ltd. (Mizuho Bank, Ltd. retirement benefit trust account re-entrusted by Mizuho Trust and Banking Co., Ltd.)	5,753,000	2.82
The Bank of Yokohama,Ltd.(Standing proxy: Custody Bank of Japan, Ltd.)	5,718,388	2.80
STATE STREET BANK AND TRUST COMPANY 505001	4,504,250	2.21
NHK SPRING Employee Shareholding Associations	4,358,686	2.14
THE BANK OF NEW YORK TREATY JASDEC ACCOUNT (standing proxy: MUFG Bank, Ltd.)	3,052,200	1.50

Name of Controlling Shareholder, if applicable (excluding Parent Companies)	—
Name of Parent Company, if applicable	Not applicable

Supplementary Explanation

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3. Corporate Attributes

Stock Exchange Listing and Market Segment	Tokyo Stock Exchange, Prime
Fiscal Year-End	March
Business Sector	Metal products
Number of Employees (Consolidated) as of the End of the Last Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Last Fiscal Year	100 billion or more but less than 1 trillion yen
Number of Consolidated Subsidiaries as of the End of the Last Fiscal Year	10 or more but fewer than 50

4. Guidelines on Measures to Protect Minority Shareholders When Conducting Transactions with a Controlling Shareholder

5. Other Special Circumstances That May Have a Material Impact on Corporate Governance

II. Status of Business Management Organizations and Other Corporate Governance Systems Concerning Business Decision-Making, Execution of Business, and Oversight

1. Matters Concerning the Structure and Operation of Organizations

Form of Organization	Company with Audit & Supervisory Board
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Matters Concerning Directors

Number of Directors Stipulated in the Articles of Incorporation	12
Directors' Term of Office Stipulated in the Articles of Incorporation	1 year
Chairperson of the Board	Chairperson (excluding those concurrently serving as President)
Number of Directors	9
Appointment of External Directors	Appointed
Number of External Directors	4
Number of Independent External Directors	4

Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Keiichiro Sue	Lawyer											
Katsuko Tanaka	Other											
Hiromi Tamakoshi	Lawyer											
Reiko Furukawa	From another company											

* Categories for "Relationship with the Company"

* "○" indicates that the director presently falls or has recently fallen under the category, and "△" indicates that the director fell under the category in the past.

* "●" indicates that a close relative of the director presently falls or has recently fallen under the category, and "▲" indicates that a close relative of the director fell under the category in the past.

a An executive of a listed company or its subsidiary

b An executive or non-executive director of the parent company of a listed company

c An executive of a fellow subsidiary company of a listed company

d A person for whom a listed company is a major trading partner, or its executive

e A major trading partner of a listed company, or its executive

f A consultant, accounting expert, or legal expert who receives a large amount of money or other property from a listed company, in addition to compensation as an director

g A major shareholder of a listed company (or an executive of the major shareholder if it is a corporation)

h An executive of a trading partner of a listed company (that does not fall under any of the categories d, e, and f above) (applicable only to the named individual)

i An executive of a legal entity that accepts the concurrent appointment of external directors (applicable only to the named individual)

j An executive of a legal entity to which a listed company makes a donation (applicable only to the named individual)

k Other

Name	Independent	Supplementary Explanation about the Relationship	Reasons for Selection
Keiichiro Sue	○	—	Since his appointment as an external director in 2015, Mr. Keiichiro Sue has been properly exercising oversight over business execution, and he has extensive experience as a lawyer. He has no past experience in taking a direct part in business management other than as an external director, but because he can be expected to deliver objective opinions about the operation of a business company and contribute towards enhancing the Company's corporate governance, he has been reappointed as an External Director of the Company. He is designated as an independent director of the Company because he has no interests in the Company that may affect his decisions, and the Company has determined that he maintains a neutral and fair position.
Katsuko Tanaka	○	—	Since her appointment as an external director in 2016, Ms. Katsuko Tanaka has been properly exercising oversight over business execution, and she has extensive experience about the operation of a public organization. She has no past experience in taking a direct part in business management other than as an external director, but because she can be expected to deliver objective opinions about the operation of a business company, she has been reappointed as an External Director of the Company. She is designated as an independent director of the Company because she has no interests in the Company that may affect her decisions, and the Company has determined that she maintains a neutral and fair position.
Hiromi Tamakoshi	○	—	Since her appointment as an external director in 2020, Ms. Hiromi Tamakoshi has been properly exercising oversight over business execution, and she has extensive experience as a lawyer. She has no past experience in taking a direct part in business management other than as an external director, but because she can be expected to deliver objective opinions about the operation of a business company and contribute towards enhancing the Company's corporate governance, she has been reappointed as an External Director of the Company. She is designated as an independent director of the Company because she has no interests in the Company that may affect her decisions, and the Company has determined that she maintains a neutral and fair position.
Reiko Furukawa	○	—	Since her appointment as an external director in 2024, Ms. Reiko Furukawa has been properly exercising oversight over business execution. She has extensive experience and deep insight about the management of a business company and she can be expected to deliver objective opinions about the operation of a business company and advice on the Company's management in general, so she has been reappointed as an External Director of the Company. She is designated as an independent director of the Company because she has no interests in the Company that may affect her decisions, and the Company has determined that she maintains a neutral and fair position.

Establishment of Voluntary Committees Equivalent to a Nomination Committee or Compensation Committee

Established

Establishment of Voluntary Committees, Membership Structure, and Attributes of the Committee Chairperson

	Committee's Name	All Members	Full-Time Members	Internal Directors	External Directors	External Experts	Other	Chairperson
Voluntary Committee Equivalent to a Nomination Committee	Nomination and Compensation Committee	6	2	2	4	0	0	Internal Director
Voluntary Committee Equivalent to a Compensation Committee	Nomination and Compensation Committee	6	2	2	4	0	0	Internal Director

Supplementary Explanation

The Company established a voluntary nomination and compensation committee in order to further ensure the independence and objectivity of decisions regarding director nomination and compensation, including succession plans. This committee is an advisory organ for the Board of Directors with a majority of its seats assigned to independent external directors, and it provides the Board of Directors with advice on matters concerning proposed director appointments and removals, and compensation to directors.

Matters Concerning Audit & Supervisory Board Members

Establishment of an Audit & Supervisory Board	Established
Number of Audit & Supervisory Board Members Stipulated in the Articles of Incorporation	5
Number of Audit & Supervisory Board Members	4

Cooperation among Audit & Supervisory Board Members, the Company Auditor, and the Internal Auditing Department

The Company's organization responsible for Audit & Supervisory Board audits and internal audits is composed of four Audit & Supervisory Board Members (including two external ones) and 10 people affiliated with the Internal Auditing Department.

In order to improve the quality and efficiency of the audits, the Company vigorously facilitates cooperation among the Audit & Supervisory Board Members, the Company Auditor, and the Internal Auditing Department, and ensures that they will exchange their opinions closely throughout the year to be able to obtain and share information needed for the audits as appropriate and guarantee the appropriateness of the audits.

In particular, the Audit & Supervisory Board Members and the Internal Auditing Department conduct operational audits and internal control system audits at auditee sites systematically through mutual cooperation to verify the appropriateness and efficiency of their business processes and their conformity to compliance requirements.

For the purpose of internal control over financial reporting, the Internal Auditing Department performs site testing and evaluations every year in cooperation with the accounting department, the finance department, and the information systems department.

Appointment of External Audit & Supervisory Board Members	Appointed
Number of External Audit & Supervisory Board Members	2
Number of Independent External Audit & Supervisory Board Members	2

Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Ichiro Ebihara	CPA													
Yuko Yamada	From another company													

* Categories for "Relationship with the Company"

* "○" indicates that the director presently falls or has recently fallen under the category, and "△" indicates that the director fell under the category in the past.

* "●" indicates that a close relative of the director presently falls or has recently fallen under the category, and "▲" indicates that a close relative of the director fell under the category in the past.

a An executive of a listed company or its subsidiary

b A non-executive director or accounting advisor of a listed company or its subsidiary

c An executive or non-executive director of the parent company of a listed company

d A member of the audit and supervisory board of the parent company of a listed company

e An executive of a fellow subsidiary company of a listed company

f A person for whom a listed company is a major trading partner, or its executive

- g A major trading partner of a listed company, or its executive
- h A consultant, accounting expert, or legal expert who receives a large amount of money or other property from a listed company, in addition to compensation as an director
- i A major shareholder of a listed company (or an executive of the major shareholder if it is a corporation)
- j An executive of a trading partner of a listed company (that does not fall under any of the categories f, g, and h above) (applicable only to the named individual)
- k An executive of a legal entity that accepts the concurrent appointment of external directors (applicable only to the named individual)
- l An executive of a legal entity to which a listed company makes a donation (applicable only to the named individual)
- m Other

Relationship with the Company (2)

Name	Independent	Supplementary Explanation about the Relationship	Reasons for Selection
Ichiro Ebihara	○	—	Mr. Ichiro Ebihara is a certified public accountant with deep insight into finance and accounting. He can be expected to perform appropriate audits based on his long years of experience in performing accounting audits as a member of a major audit firm, so he has been reappointed as an External Audit & Supervisory Board Member of the Company. He is designated as an independent director of the Company because he has no interests in the Company that may affect his decisions, and the Company has determined that he maintains a neutral and fair position.
Yuko Yamada	○	—	Ms. Yuko Yamada has extensive experience and deep insight about the financial and accounting operations and auditing of business companies. She also has experience as an audit & supervisory board member of a business company. She has been appointed as an External Audit & Supervisory Board Member because she can be expected to perform appropriate audits based on such experience. She is designated as an independent director of the Company because she has no interests in the Company that may affect her decisions, and the Company has determined that she maintains a neutral and fair position.

Matters Concerning Independent Directors

Number of Independent Directors	6
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Other Matters Concerning Independent Directors
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Matters Concerning Incentives

Implementation Status of Measures Concerning the Granting of Incentives to Directors	Other
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Supplementary Explanation about the Applicable Items
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The Company has introduced a Board Benefit Trust stock-based compensation plan for Directors (excluding external ones) in order to grant incentives for improving medium-to-long-term business results and increase corporate value.

Persons Eligible for Stock Options	
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Supplementary Explanation about the Applicable Items
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Matters Concerning Directors' Compensation

Status of Disclosure (of Individual Director's Compensation)	Disclosure for Selected Directors
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In its business reports and annual securities report, the Company discloses the total amount of compensation and its breakdown by type of compensation separately for Directors and for Audit & Supervisory Board Members. If the total amount of consolidated compensation, etc., paid to an individual is equal to or greater than 100 million yen, an individual disclosure is made in the annual securities report.

(Amounts of compensation, etc., to Directors and Audit & Supervisory Board Members)	
Directors (excluding External Directors)	536 million yen
Audit & Supervisory Board Members (excluding External Members)	67 million yen
External directors	54 million yen

Policy on Determining Compensation Amounts and Calculation Methods Updated

Established

Disclosure of Policy on Determining Compensation Amounts and Calculation Methods

The Company considers “director compensation” as a means to strengthen the Company’s group governance and to enhance its corporate value over the medium to long term. The compensation plan is designed for each position in line with the following basic policy.

<Directors (excluding External Directors)>

- Establish a compensation plan that contributes to the sustainable growth of the Company and the improvement of its corporate value over the medium to long term.
- Set a competitive compensation level that can attract and retain excellent managerial talent.
- Establish a compensation plan commensurate with the role and extent of responsibility of each Director and their contribution to the performance of the Company.
- Establish a compensation composition ratio that fosters a sense of sharing value with shareholders.

<External Directors>

- Provide fixed compensation only, given their position of overseeing the management of the Company and the Company Group from an independent and objective standpoint.

<Audit & Supervisory Board Members>

- Provide fixed compensation only, given the role of auditing the execution of duties by Directors from an objective standpoint.

There are two types of compensation: cash based and non-cash based. Cash-based compensation consists of fixed compensation as basic remuneration, and performance-linked compensation (bonus) as short-term performance-linked compensation. Non-cash-based compensation is in the form of stock-based compensation as incentives for medium- to long-term performance. The Director’s compensation structure and the percentage used as a benchmark are designed to be appropriate as motivation to manage the Company with commitment to enhancing medium- to long-term performance and sharing value with shareholders.

(1) Cash-based compensation

- Fixed compensation: 40%–60%
- Performance-linked compensation: 20%–30%

(2) Non-cash-based compensation

- Stock-based compensation: 20%–30%

The Company’s 105th General Meeting of Shareholders on June 25, 2025 resolved to revise part of the current stock-based compensation plan “Board Benefit Trust (BBT)” (“Current Plan”) and introduce a stock compensation plan “Board Benefit Trust-Restricted Stock (BBT-RS)” (“New Plan”) that restricts the transfer of granted shares until departure from office. The standard timing of receiving shares will be changed from “upon departure from office” to “every year,” and the Company thinks that this will make it much clearer that the compensation is linked to the stock value. The percentage of stock-based compensation to the total compensation will be higher after the introduction of this plan, and this will ensure a good balance of the compensation items mentioned above. Please see the following page of the Company website for the “Basic Policy on Compensation for Directors and Audit & Supervisory Board Members,” including an overview of the New Plan, the process for determining director compensation, and the method of determining individual compensation, etc. <https://www.nhkspg.co.jp/en/sustainability/governance/corporate/reward>

Support System for External Directors (and/or External Audit & Supervisory Board Members)

The Company briefs Independent External Directors on the agenda for a board meeting in advance so that they can have a deeper understanding of the agenda and play an active part in discussions at the meeting. The Company routinely shares information with Independent External Directors by providing them with opportunities to gain a deeper understanding of its business, including an unofficial lunch meeting held on the day of a board meeting, and a board meeting held at a factory outside the head office district once a year or so. In addition, the Company holds opinion exchange meetings for external directors four times a year, to which External Directors, Audit & Supervisory Board Members, and External Audit & Supervisory Board Members are invited to share information and exchange opinions. External Audit & Supervisory Board Members also receive a detailed explanation of major agenda items for important meetings and the state of interim audits from Audit & Supervisory Board Members at Audit & Supervisory Board meetings.

Status of People Who Have Retired as Representative Director and President, etc.

Information on People Holding Advisory Positions (*Sodanyaku, Komon*, etc.) after Retiring as Representative Director and President, etc. Updated

Name	Job Title/ Position	Responsibilities	Terms and Conditions of Employment (Full/Part Time, with/without Compensation, etc.)	Date When Former Role as President/ CEO Ended	Term
Kazumi Tamamura	Counselor	- At the Company's request, provides advice based on his experience and insight.	- Full-time - With compensation	June 25, 2021	2 years

Total Number of People Holding Advisory Positions (*Sodanyaku, Komon*, etc.)
after Retiring as Representative Director and President, etc.

3

Other Related Matters

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

(Board of Directors)

- The Board of Directors is composed of Directors with expert knowledge in all relevant areas, including sales, engineering, and finance. It intensively deliberates on agenda items and supervises business management trends based on each member's knowledge and experience underpinned by a thorough understanding of the business. In addition, it actively discusses management issues derived from the agenda items.

The Company has four External Directors to ensure the validity of its business decisions and the effectiveness of oversight over its management.

The Board of Directors decides matters that are required by laws and the Articles of Incorporation to be decided by the Board of Directors, and matters concerning the management of important operations specified in the Company's internal rules, and delegates other authorities related to operations management to the Management Committee.

Authorities related to day-to-day operations are delegated to Corporate Directors in charge of the operating departments.

- The Board of Directors meets roughly once a month, and it met 13 times in FY2023.

The Company established a voluntary nomination and compensation committee in order to further ensure the independence and objectivity of decisions regarding director nomination and compensation, including succession plans. This committee is an advisory organ for the Board of Directors with a majority of its seats assigned to independent external directors, and it provides the Board of Directors with advice on matters concerning proposed director appointments and removals, and compensation to directors.

(Business execution systems)

- The Company has a Corporate Director system to execute its business. Corporate Directors supervising business operation and execution execute their assigned business based on authorities delegated from the Board of Directors.

- The Management Committee, which is the highest decision-making body on the business execution level, is composed of full-time Directors, Corporate Directors at and over the Executive Corporate Director level, and Senior Corporate Directors who are also appointed as Division Presidents. It deliberates on important matters related to business execution from a company-wide/group-wide perspective.

(Auditing systems)

- The Company is a company with an audit & supervisory board. The Company's Audit & Supervisory Board is composed of four members, including two external ones. There is a full-time assistant to the Audit & Supervisory Board Members.

- Audit & Supervisory Board Member Masakazu Toyoda has many years of experience at a financial institution and experience-based deep insight into financial affairs, and also has work experience at overseas supervisory companies and management planning departments. His knowledge qualifies him as an Audit & Supervisory Board Member. Audit & Supervisory Board Member Naoya Mizutani once served as the director of the Internal Auditing Department because of his many years of experience at the finance and accounting department and the management planning department. He has adequate knowledge about financial and accounting operations.

- The Company has taken necessary actions to strengthen the functionality of Audit & Supervisory Board Members, including securing a sufficient support system for their business management monitoring as explained above, and appointing highly independent external members and members knowledgeable about financial and accounting operations.

(Company Auditor)

- The Company has an accounting audit agreement with Ernst & Young ShinNihon LLC, which performs audits not only regularly at the end of each fiscal year, but also irregularly on an as-needed basis. The Company does everything to facilitate accurate auditing, including providing all kinds of information. Provided below are the names of certified public accountants who performed the audits, and the composition of assistants in auditing operations.

Names of certified public accountants who performed the audits

Designated limited liability partner, executive member: Kenichi Shibata

Designated limited liability partner, executive member: Masaki Yoshioka

Composition of assistants in accounting auditing operations

Eight certified public accountants, and 19 other individuals

(Note) Other individuals include those who passed the certified public accountant examination, those assigned to system auditing, etc.

(Liability limitation agreements)

- External Directors and External Audit & Supervisory Board Members have agreements with the Company that limit their liability for damages under Article 423, paragraph 1 of the Companies Act to the amount received or to be received during a two-year period as compensation and other rewards for the execution of duties.

3. Reasons for Adopting the Current Corporate Governance System

As described in the preceding section, the Company ensures a clear division of roles between the Board of Directors, which is responsible for company management and oversight, and Corporate Directors, who are in charge of business execution. This allows the Board of Directors to intensively discuss important business issues, make important business decisions, maintain and further improve the management efficiency, and continuously improve corporate value over the medium to long term by overseeing business execution by Corporate Directors under the corporate governance system.

The Company also has External Directors, who are expected to provide specialist advice on management policies and management improvement and to take an active part in management oversight through the Board's decision-making process regarding important matters. Furthermore, responsibility for auditing the Company's business execution rests on the Audit & Supervisory Board, which is independent of the Board of Directors.

The Company has also taken necessary actions to strengthen the functionality of Audit & Supervisory Board Members, including securing a sufficient support system for their business management monitoring as explained above, and appointing highly independent external members and members knowledgeable about financial and accounting operations.

Thus, the Company believes that its governance system is fully functional, and this is the reason for adopting the current system.

III. Implementation Status of Measures Concerning Shareholders and Other Stakeholders

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

	Supplementary Explanation
Early Posting of Notice of the General Meeting of Shareholders	The Company posts a notice of the general meeting of shareholders at its website and at the Tokyo Stock Exchange website a few days before the statutory start date of electronic provision measures (three weeks before the meeting date) so that shareholders can have enough time to examine the agenda items. The Company also sends out documents relating to the general meeting of shareholders (distributed summary documents), including an access notice, about a week before the statutory deadline (two weeks before the meeting date).
Scheduling of the General Meeting of Shareholders for a Non-Peak Day	The general meeting of shareholders in 2025 was held on June 25 (Tuesday) before the peak day.
Electronic Exercise of Voting Rights	Since the general meeting of shareholders in 2016, the Company has accepted the electronic exercise of voting rights in the interest of greater convenience for shareholders, increased accuracy in predicting voting results, and accepted earlier exercise of voting rights by overseas institutional investors.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance the Environment for Institutional Investors to Exercise Voting Rights	Since the general meeting of shareholders in 2016, the Company has participated in a platform for the electronic exercise of voting rights.
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	Since the general meeting of shareholders in 2016, the Company has prepared and provided a partial English translation of the notice of the general meeting of shareholders on the platform mentioned above, the stock exchange website, and the Company's website.

2. Status of IR-Related Activities

	Supplementary Explanation	Explanation by Company Representative
Formulation and Publication of Disclosure Policies	The Company's disclosure policy is posted on its website. https://www.nhkspg.co.jp/en/ir/disclosure-policy	
Regular Briefings Held for Analysts and Institutional Investors	These briefings are held twice a year, after the announcement of financial results for the second quarter and for the full year. The Company also explains business results trends, etc., after the end of each quarter and from time to time at analysts' or institutional investors' sites or at press interviews.	Provided
Online Disclosure of IR Information	The Company has a permanent information page for shareholders and investors at https://www.nhkspg.co.jp/en/ir/library to make timely information disclosures.	
Establishment of Department and/or Placement of a Manager in Charge of IR	The Corporate Communications Department has an IR manager.	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	The NHK Spring Group Employees Code of Conduct stipulates that all directors and employees are to comply with laws, regulations, and corporate ethics, and to respect the positions of shareholders, trading partners, employees, local communities, and other stakeholders.
Implementation of Environmental Preservation Activities, CSR Activities, etc.	The NHK Spring Group Employees Code of Conduct stipulates that all directors and employees are to comply with laws, regulations, and corporate ethics, and to respect the positions of shareholders, trading partners, employees, local communities and other stakeholders.
Formulation of Policies, etc., on the Provision of Information to Stakeholders	The Company discloses important corporate information in a timely and appropriate manner in accordance with the stock exchange rules, as well as legally specified methods.

IV. Matters Concerning the Internal Control System

1. Basic Stance on the Internal Control System and State of Control Design

The Company's basic stance on the internal control system and the state of its control design are disclosed on the following page of its website.

https://www.nhkspg.co.jp/hubfs/nhkspg.co.jp/en/pdf/sustainability/control_40524_en.pdf

2. Basic Stance on the Exclusion of Anti-Social Forces and Status of Systems for This Purpose

The Company's basic stance on the exclusion of anti-social forces is also explained in the above-mentioned page of its website.

https://www.nhkspg.co.jp/hubfs/nhkspg.co.jp/en/pdf/sustainability/control_40524_en.pdf

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
Supplementary Explanation about the Applicable Items	

2. Other Matters Concerning the Corporate Governance System

The status of the Company's internal system regarding the timely disclosure of Company information is as follows.

(1) Basic policy of timely disclosure

It is the basic policy of the Company to disclose fair corporate information to investors in a timely and appropriate manner.

(2) Internal system for timely disclosure

The Company handles the information to be disclosed in a timely manner as follows in accordance with its disclosure policy and internal rules (regarding the prevention of insider trading and the management of confidential information).

- Information is collected and managed by the director in charge of the planning and management department.
- Whether a particular item of information is important and is subject to timely disclosure or not is discussed by the director in charge of the planning and management department, and the management planning department, the accounting department, the finance department, the Corporate Communications Department, and other departments in charge in accordance with timely disclosure rules.
- The timely disclosure of important facts as required by the Tokyo Stock Exchange is made by the Corporate Communications Department under the direction of the director in charge of the planning and management department or the Director of the Corporate Communications Department, who is the information handling manager.

(3) Internal control

The financial information to be disclosed is audited by certified public accountants and Audit & Supervisory Board Members.

(4) Timely disclosure to the Tokyo Stock Exchange

The Company discloses facts about decisions and financial information in a timely manner after approval by the Board of Directors. Facts about occurrences are disclosed in a timely manner after the occurrence of events.

A schematic diagram of the flow of timely disclosure described above is provided after a schematic diagram of the Company's corporate governance system.

◆Governance System (As of 25 June, 2025)



