

**Nabtesco Corporation**

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Securities Code: 6268

<https://www.nabtesco.com>

The corporate governance status of the Nabtesco Group is as indicated below.

## I. Basic views on corporate governance, capital structure, corporate attributes and other basic information

### 1. Basic views

Based on its corporate philosophy, which states, “The Nabtesco Group, with our unique motion control technology, will provide safety, comfort and a sense of security in daily lives as well as any form of transportation,” and through the implementation of “The Nabtesco Way,” the Nabtesco Group endeavors to enhance its corporate governance with the aim of realizing the Group’s sustainable growth, enhancing its medium- to long-term corporate value and earning the greater trust of its stakeholders.

Nabtesco has also established the Corporate Governance Basic Policy (hereafter, “Basic Policy”), which is posted on our corporate website.

Corporate Governance Basic Policy: <https://www.nabtesco.com/en/ir/policy/governance.html>

#### **【Reasons for non-compliance with the principles of the Corporate Governance Code】**

Nabtesco executes all principles of the revised Corporate Governance Code published on June 11, 2021, including those to be applied to companies listed on the prime market after the Tokyo Stock Exchange restructures its market into new segments.

#### **【Disclosure based on the principles of the Corporate Governance Code】** Updated

##### **【Principle 1-4】Cross-Shareholdings**

Please refer to Article 4 (Basic Policy on Cross-Shareholdings and Exercising of Voting Rights Concerning Cross-Shareholdings) of the Basic Policy.

In line with a basic policy under which it should as soon as possible dispose of and reduce cross-shareholdings that it finds of little significance in light of circumstances as of the end of an immediate fiscal year, the Board of Directors annually assesses, based on certain standards, whether a purpose of holding each individual stock is appropriate and whether the benefits and risks from each holding cover its cost of capital and reviews whether or not to continue to hold the stock and the number of shares held.

At the Board of Directors meeting held on February 28, 2023, Nabtesco assessed each of 10 stocks held as of the end of fiscal 2022 based on its standards on whether or not to continue to hold a stock and consequently confirmed for each stock a certain degree of both significance and economic rationality. On the other hand, it was also decided to reduce the balance of the cross-shareholdings as much as possible in the future reflecting the changes in the environment concerning cross-shareholdings as per the revised Corporate Governance Code of June 2018.

##### **【Principle 1-7】Related party transactions**

Please refer to Article 5 (Related Party Transactions) of the Basic Policy.

**【Supplementary Principle 2-4-1】Diversity in the promotion to core human resources**

In order to have a pool of diverse human resources, Nabtesco encourages employees to think, learn and practice what they have learned on their own, and improves the in-house environment in a manner that increases diversity.

For the Company's policies on human capital development and the improvement of the in-house environment as well as for its ideas, numerical targets and past records concerning the employment and promotion to managerial positions of non-Japanese people, women and mid-career workers, please refer to the following sections on our corporate website:

Human Capital Development: <https://nabtesco.disclosure.site/en/themes/123>

Fostering Workplace Diversity: <https://nabtesco.disclosure.site/en/themes/122>

**【Principle 2-6】 Roles of Corporate Pension Funds as Asset Owners**

Nabtesco deems that Principle 2-6 is not applicable to it because it adopts a defined contribution corporate pension plan as its retirement pension plan.

**【Principle 3-1(i)】Business principles, business strategies and business plans**

Nabtesco has set out its Action Guidelines as a common set of principles applying to all employees in the performance of their duties and decision-making. The Action Guidelines, along with our Corporate Philosophy and Our Promises, are collectively referred to as The Nabtesco Way, which is disclosed on our website and via other tools.

Nabtesco has also formulated and disclosed a Long-term Vision that integrates the ideal image of our goals for FY2030, as well as a Medium-term Management Plan.

Please refer to our webpages below for details.

The Nabtesco Way: <https://www.nabtesco.com/en/company/greeting.html>

Long-term Vision: <https://www.nabtesco.com/en/company/vision.html>

Medium-term Management Plan: [https://www.nabtesco.com/en/ir/policy/mid\\_term\\_plan.html](https://www.nabtesco.com/en/ir/policy/mid_term_plan.html)

**【Principle 3-1(ii)】Basic views and guidelines on corporate governance**

Please refer to “I. 1. Basic views” of this report.

**【 Principle 3-1(iii) 】 Board policies and procedures in determining the remuneration of senior management and Directors**

Please refer to Article 24 (Remuneration of Management Personnel) of the Basic Policy.

**【Principle 3-1(iv)】Board policies and procedures in the appointment/dismissal of senior management and the nomination of Directors and Audit & Supervisory Board Member candidates**

Please refer to Article 23 (Nomination of Directors, Audit & Supervisory Board Members and CEO) of the Basic Policy.

**【Principle 3-1(v)】Explanations with respect to the individual appointments/dismissals and nominations at the time of the appointment/dismissal of senior management and the nomination of Directors and Audit & Supervisory Board Member candidates by the Board of Directors**

The reasons for appointing particular candidates to the position of Outside Director, and the career summaries, positions and assignments of other Directors and Audit & Supervisory Board Members, are disclosed in the notice of convocation of annual general meeting of shareholders and other materials. Please refer to our webpage below for details.

[https://www.nabtesco.com/en/ir/stock/shareholders\\_meeting.html](https://www.nabtesco.com/en/ir/stock/shareholders_meeting.html)

**【Supplementary Principle 3-1-3】Initiatives on Sustainability**

For Nabtesco's sustainability-related measures, investments in human capital and intellectual property and issues related to climate change, please access the following sections on our corporate website:

Sustainability:

<https://nabtesco.disclosure.site/en/themes/111>

Human capital:

<https://nabtesco.disclosure.site/en/themes/122>

<https://nabtesco.disclosure.site/en/themes/123>

Intellectual properties:

<https://nabtesco.disclosure.site/en/themes/80>

Climate change:

<https://nabtesco.disclosure.site/en/themes/126>

【Supplementary Principle 4-1-1】Delegation to management

Please refer to Article 15 (Delegation to Management Personnel) of the Basic Policy.

【Principle 4-9】Independence Standards and Qualification for Independent Outside Directors

Please refer to Article 18 (Independent Outside Directors) of the Basic Policy.

【Supplementary Principle 4-10-1】Independent Nomination Committee and Remuneration Committee

Please refer to Article 21 (Nomination Committee) and Article 22 (Remuneration Committee) of the Basic Policy, and to II.1. (Status of voluntary establishment of committees, their member composition and attributes of their chairpersons) and the supplementary explanation of this report.

【Supplementary Principle 4-11-1】Composition of the Board of Directors

Please refer to Article 16 (Composition of the Board of Directors) of the Basic Policy.

Also, please refer to the Skill Matrix of Directors and Audit & Supervisory Board Members, which is posted in the following section on our corporate website and also disclosed in the notice of convocation of the annual general meeting of shareholders and other documents:

[https://nabtesco.disclosure.site/en/themes/133#skill\\_matrix](https://nabtesco.disclosure.site/en/themes/133#skill_matrix)

[https://www.nabtesco.com/en/ir/stock/shareholders\\_meeting.html](https://www.nabtesco.com/en/ir/stock/shareholders_meeting.html)

【Supplementary Principle 4-11-2】Significant positions concurrently held by Outside Directors and Audit & Supervisory Board Members (Independent)

They are disclosed every year in the notice of convocation of annual general meeting of shareholders and other materials. Please refer to our webpage below for details.

[https://www.nabtesco.com/en/ir/stock/shareholders\\_meeting.html](https://www.nabtesco.com/en/ir/stock/shareholders_meeting.html)

【Supplementary Principle 4-11-3】Assessment of effectiveness of the Board of Directors

In line with Article 25 of the Basic Policy, Nabtesco conducts analysis and assessment of the effectiveness of the Board of Directors every year based on the self-assessment, etc. of each Director with the aim of enhancing the functionality of the Board. In FY2022, self-assessment was conducted by all Directors and Audit & Supervisory Board Members by way of anonymous questionnaires, and the effectiveness of the Board was evaluated through discussions at the Board of Directors meeting based on the results including the summary and analysis by outside attorneys-at-law. An outline of the results is shown below.

According to the results, the directors believe that the number of members and the structure of the Board are appropriate and that open, natural and constructive discussion is taking place, as was the case in FY2021. In FY2020, the number of female directors increased. Moreover, in FY2022, the number of independent outside directors increased by one person, bringing the proportion of independent outside directors to 50% of the total, and the Board is discussing issues from wider range of viewpoints. Judging from these facts, the effectiveness of the Board is considered to be well secured.

In FY2022, the Board spent more time to deliberate important issues related to management, such as growth strategies at its meetings. We will continue our efforts to foster discussions at the meetings to further increase our corporate value on a medium- to long-term basis.

With an eye toward the further enhancement of corporate governance, we will continue to work for the solution of related issues and to improve the functionality of the Board of Directors.

【Supplementary Principle 4-14-2】Self-improvement and training for Directors and Audit & Supervisory Board Members

Please refer to Article 27 (Self-improvement and Training for Directors and Audit & Supervisory Board Members) of the Basic Policy.

【Principle 5-1】Constructive dialogue

Please refer to Article 29 (Constructive Dialogue) of the Basic Policy.

## 2. Capital structure

|                            |                  |
|----------------------------|------------------|
| Foreign shareholding ratio | No less than 30% |
|----------------------------|------------------|

### 【Major shareholders】 Updated

| Name / Company name                                  | Number of shares owned | Ratio(%) |
|--|------------------------|----------|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 18,297,700             | 15.21    |
| Custody Bank of Japan, Ltd. (Trust Account)          | 5,206,800              | 4.33     |
| Central Japan Railway Company                        | 5,171,000              | 4.30     |
| FANUC CORPORATION                                    | 3,760,000              | 3.12     |
| Harmonic Drive Systems Inc.                          | 3,265,000              | 2.71     |
| SMBC Nikko Securities Inc.                           | 3,231,900              | 2.69     |
| BBH (LUX) FOR FIDELITY FUNDS-GLOBAL TECHNOLOGY POOL  | 2,946,500              | 2.45     |
| BNYM AS AGT/CLTS 10 PERCENT                          | 2,927,187              | 2.43     |
| THE BANK OF NEW YORK MELLON 140042                   | 2,402,366              | 2.00     |
| J. P. MORGAN BANK LUXEMBOURG S. A. 381572            | 1,876,400              | 1.56     |

|                          |      |
|--------------------------|------|
| Controlling shareholders | None |
|--------------------------|------|

|                |      |
|----------------|------|
| Parent company | None |
|----------------|------|

### Supplementary explanation

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## 3. Corporate attributes Updated

|   |   |
|---|---|
| Listed stock market and market section  | Tokyo Stock Exchange, Prime Market                    |
| Fiscal year-end   | December  |
| Business category   | Machinery   |
| Number of employees (consolidated) as of the end of the previous fiscal year  | 1,000 or more   |
| Consolidated sales of the previous fiscal year                                | 100 billion yen or more, and less than 1 trillion yen |
| Number of consolidated subsidiaries as of the end of the previous fiscal year | 50 or more, and less than 100                         |

## 4. Guidelines for measures to protect minority shareholders in conducting transactions, etc. with controlling shareholders

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## 5. Other special circumstances that may have a material impact on corporate governance

—

## II. Business management organization and other corporate governance systems with regard to decision-making, execution of business and oversight in management

### 1. Organizational composition and operations, etc.

|                   |  |
|-------------------|--|
| Organization form | Company with “Kansayaku” (Audit & Supervisory Board Members) |
|-------------------|--|

#### [Directors] Updated

|  |          |
|--|----------|
| Maximum number of Directors stipulated in the Articles of Incorporation  | 10       |
| Term of office for Directors stipulated in the Articles of Incorporation | 1 year   |
| Chairperson of the Board   | Chairman |
| Number of Directors  | 10       |
| Selection status of Outside Directors                                    | Selected |
| Number of Outside Directors  | 5        |
| Number of Outside Directors who are designed as Independent Officer      | 5        |

#### Outside Directors’ relationship with the Company (1) Updated

| Name                | Attribute            | Relationship with the Company(*) |   |   |   |   |   |   |   |   |   |   |  |
|---------------------|----------------------|----------------------------------|---|---|---|---|---|---|---|---|---|---|--|
|                     |                      | a                                | b | c | d | e | f | g | h | i | j | k |  |
| Mari Iizuka         | Scholar              |                                  |   |   |   |   |   |   |   |   |   |   |  |
| Naoko Mizukoshi     | Attorney-at-law      |                                  |   |   |   |   |   |   |   |   |   |   |  |
| Naoki Hidaka        | From another company |                                  |   |   |   |   |   |   | △ |   |   |   |  |
| Toshiya Takahata    | From another company |                                  |   |   |   |   |   |   | △ |   |   |   |  |
| Seiichiro Shirahata | From another company |                                  |   |   |   |   |   |   |   |   |   |   |  |

\* Categories of relationship with the Company

\* “○” when the Director presently falls, or has recently fallen, within the category; “△” when the director fell within the category in the past

\* “●” when a close relative of the Director presently falls, or has recently fallen, within the category; “▲” when a close relative of the Director fell within the category in the past

a A person who executes business of the Company or its subsidiary

b A person who executes business or a non-executive director of a parent company of the Company

c A person who executes business of a brother company of the Company

d A person whose main business partner is the Company or a person who executes business of the same

e A main business partner of the Company or a person who executes business of the same

f A consultant, accountant or legal expert who receives a large amount of cash or other properties from the Company, in addition to executive remuneration

g A major shareholder of the Company (if the said major shareholder is a corporation, a person who executes business of the said corporation)

h A person who executes business of a business partner of the Company (that does not correspond to d, e, or f; applies only to the person in question)

i A person who executes business of an entity with which the Company has a cross-directorship arrangement (applies only to the person in question)

j A person who executes business of an entity that receives a donation from the Company (applies only to the person in question)

k Others

Outside Directors' relationship with the Company (2) **Updated**

| Name        | Independent Officer | Supplementary explanation for applicable items                                       | Reasons for appointment   |
|-------------|---------------------|--|---|
| Mari Iizuka | ○                   | (Significant positions concurrently held)<br>・ Professor of Doshisha Business School | <p>Although Ms. Mari Iizuka has not been involved in corporate management except as an Outside Director of the Company, she has a high level of expertise in the fields of global management human resources and international management strategies as a Professor of Doshisha Business School. She also held various posts including Chair of Japan Global Compact Academic Network, which was established for collaboration between business and academia for achievement of Sustainable Development Goals (SDGs), and as an Outside Director of the Company from March 2020, she has appropriately supervised management. Based on her experience and insight, the Company has appointed Ms. Mari Iizuka as an Outside Director, as we expect her to provide supervision and advice utilizing her insight, which is her role if she is elected as an Outside Director.</p> <p>As Ms. Mari Iizuka also satisfies the Company's "Standards for Independence of Outside Officer" and the Tokyo Stock Exchange's qualification criteria for an Independent Officer, the Company considers her capable of serving as an Outside Director with no risk of conflict of interest with general shareholders.</p> |

|                 |   |  |  |
|-----------------|---|--|--|
| Naoko Mizukoshi | ○ | <p>(Significant positions concurrently held)</p> <ul style="list-style-type: none"> <li>· Partner of Leftright Law &amp; IP</li> <li>· External Director of TIS Inc.</li> </ul>  | <p>Although Ms. Naoko Mizukoshi has not been involved in corporate management except as an outside director, she has a high level of expertise as an attorney-at-law. She also held various posts including outside officers of other business entities and posts in public offices including a member of Unfair Competition Prevention Subcommittee, Intellectual Property Committee, Industrial Structure Council, Ministry of Economy, Trade and Industry. As an Outside Director of the Company from March 2020, she has appropriately supervised management. Based on her experience and insight, the Company has appointed Ms. Naoko Mizukoshi as an Outside Director, as we expect her to provide supervision and advice utilizing her insight, which is her role if she is elected as an Outside Director. As Ms. Mizukoshi also satisfies the Company's "Standards for Independence of Outside Officer" and the Tokyo Stock Exchange's qualification criteria for an Independent Officer, the Company considers her capable of serving as an Outside Director with no risk of conflict of interest with general shareholders.</p> |
| Naoki Hidaka    | ○ | <p>The Nabtesco Group has a business relationship with Sumitomo Corporation, where Mr. Naoki Hidaka served as Representative Director. The trading amount, however, is immaterial, accounting for less than 1% of the consolidated net sales of each of the Company and Sumitomo Corporation in each of the past three fiscal years.</p> <p>(Significant positions concurrently held)</p> <ul style="list-style-type: none"> <li>· Outside Director of BROTHER INDUSTRIES, LTD.</li> <li>· Outside Director of TOPCON CORPORATION</li> </ul> | <p>Mr. Naoki Hidaka has been engaged in the overseas businesses of SUMITOMO CORPORATION. After serving as General Manager of the Transportation &amp; Construction Systems Business Unit, which operates in the same business domain as the Company, he served as Representative Director of SUMITOMO CORPORATION, and has broad experience and extensive knowledge and insight as a corporate manager. As an Outside Director of the Company from March 2021, he has appropriately supervised management. Based on his experience and insight, the Company has appointed Mr. Naoki Hidaka as an Outside Director, as we expect him to provide supervision and advice utilizing his knowledge, which is his role if he is elected as an Outside Director. As Mr. Naoki Hidaka also satisfies the Company's "Standards for Independence of Outside Officer" and the Tokyo Stock Exchange's qualification criteria for an Independent Officer, the Company considers him capable of serving as an Outside Director with no risk of conflict of interest with general shareholders.</p>   |

|                     |   |   |  |
|---------------------|---|---|--|
| Toshiya Takahata    | ○ | The Nabtesco Group has a business relationship with Seiko Epson Corporation, where Mr. Toshiya Takahata served as Director. The trading amount, however, is immaterial, accounting for less than 1% of the consolidated net sales of each of the Company and Sumitomo Corporation in each of the past three fiscal years. | Mr. Toshiya Takahata has been engaged in operations related to intellectual property, digital transformation, corporate planning, and sustainability at Seiko Epson Corporation. He has also served as a Director of Seiko Epson Corporation, and has broad experience and extensive knowledge and insight as a corporate manager. As an Outside Director of the Company from March 2022, he has appropriately supervised management. Based on his experience and insight, the Company has appointed Mr. Toshiya Takahata as an Outside Director, as we expect him to provide supervision and advice utilizing his knowledge, which is his role if he is elected as an Outside Director. As Mr. Toshiya Takahata also satisfies the Company's "Standards for Independence of Outside Officer" and the Tokyo Stock Exchange's qualification criteria for an Independent Officer, the Company considers him capable of serving as an Outside Director with no risk of conflict of interest with general shareholders.  |
| Seiichiro Shirahata | ○ |   | Mr. Seiichiro Shirahata possesses diverse operational experience, including a long-term overseas assignment as an engineer at Nippon Paint Co., Ltd. (current Nippon Paint Holdings Co., Ltd.), and he was also responsible for the said company's transition into a holding company and the spin-off of its business segments. He has also served as Director and Senior Executive Officer of Nippon Paint Holdings Co., Ltd., and has broad experience and extensive knowledge and insight as a corporate manager. Based on his experience and insight, the Company has appointed Mr. Seiichiro Shirahata as an Outside Director, as we expect him to provide supervision and advice utilizing his insight, which is his role if he is elected as an Outside Director. As Mr. Seiichiro Shirahata also satisfies the Company's "Standards for Independence of Outside Officer" and the Tokyo Stock Exchange's qualification criteria for an Independent Officer, the Company considers him capable of serving as an Outside Director with no risk of conflict of interest with general shareholders. |

Voluntary establishment of committees corresponding to Nominating Committee or Remuneration Committee

Established

Status of voluntary establishment of committees, their member composition and attributes of their chairpersons



|   | Name of committee      | Total number of members | Number of full-time members | Number of Internal Directors | Number of Outside Directors | Number of outside experts | Number of others | Chairperson       |
|---|------------------------|-------------------------|-----------------------------|------------------------------|-----------------------------|---------------------------|------------------|-------------------|
| Committee corresponding to Nominating Committee   | Nominating Committee   | 5                       | 0                           | 1                            | 3                           | 0                         | 1                | Internal Director |
| Committee corresponding to Remuneration Committee | Remuneration Committee | 5                       | 0                           | 1                            | 3                           | 0                         | 1                | Internal Director |

### Supplementary explanation Updated

#### Nominating Committee

The Nominating Committee, a consultative body of the Board of Directors, deliberates the nomination of candidates for Director, Audit & Supervisory Board Member, President (CEO) and Representative Director positions as well as a plan for successor to the President (CEO), etc., and reports the results to the Board of Directors. The committee comprises five members or less, with a majority being Independent Outside Officers to ensure the independence of the committee (Article 21 of the Basic Policy; the numeral “1” appearing in the “Number of others” column in the above table refers to an Audit & Supervisory Board Member (Independent)). In FY2022, three meetings were held at which all committee members were present.

#### Remuneration Committee

The Remuneration Committee, a consultative body of the Board of Directors, deliberates the remuneration of the management team and reports the results to the Board of Directors. The committee comprises five members or less, with a majority being Independent Outside Officers to ensure the independence of the committee (Article 22 of the Basic Policy; the numeral “1” appearing in the “Number of others” column in the above table refers to an Audit & Supervisory Board Member (Independent)). In FY2022, two meetings were held at which all committee members were present.

### 【Audit & Supervisory Board Members】

|   |             |
|---|-------------|
| Establishment of the Audit & Supervisory Board  | Established |
| Maximum number of Audit & Supervisory Board Members stipulated in the Articles of Incorporation | 5           |
| Number of Audit & Supervisory Board Members   | 5           |

### Cooperation between Audit & Supervisory Board Members, accounting auditors and internal audit departments

Audit & Supervisory Board Member, including Audit & Supervisory Board Member (Independent), confer and exchange information and views on auditing with the Business Auditing Department, which performs internal auditing functions, and auditors of subsidiaries. Furthermore, they organize briefing sessions on auditing plans and results of the audit jointly with accounting auditors and foster mutual cooperation on occasions such as on-site inspections of inventories at plants. Moreover, the members of the internal auditing and finance & accounting departments have meetings and exchange views and information with accounting auditors on the status of development and operation of “internal control over financial reporting.”

|   |          |
|---|----------|
| Selection status of Audit & Supervisory Board Members (Independent)                               | Selected |
| Number of Audit & Supervisory Board Members (Independent)   | 3        |
| Number of Audit & Supervisory Board Members (Independent) who are designed as Independent Officer | 3        |

### Audit & Supervisory Board Members’ (Independent) relationships with the Company (1)

| Name            | Attribute            | Relationship with the Company (*) |   |   |   |   |   |   |   |   |   |   |   |   |
|-----------------|----------------------|-----------------------------------|---|---|---|---|---|---|---|---|---|---|---|---|
|                 |                      | a                                 | b | c | d | e | f | g | h | i | j | k | l | m |
| Zenzo Sasaki    | Attorney-at-law      |                                   |   |   |   |   |   |   |   |   |   |   |   |   |
| Takemi Nagasaka | From another company |                                   |   |   |   |   |   |   |   |   |   |   |   |   |
| Tetsuro Hirai   | From another company |                                   |   |   |   |   |   |   |   |   | △ |   |   |   |

\* Categories of relationship with the Company

\* “○” when the Director presently falls, or has recently fallen, within the category; “△” when the director fell within the category in the past

\* “●” when a close relative of the Director presently falls, or has recently fallen, within the category; “▲” when a close relative of the Director fell within the category in the past

a A person who executes business of the Company or its subsidiary

b A non-executive director or accounting advisor of the Company or its subsidiary

c A person who executes business or a non-executive director of a parent company of the Company

d An Audit & Supervisory Board Member of a parent company of the Company

e A person who executes business of a brother company of the Company

f A person whose main business partner is the Company or a person who executes business of the same

g A main business partner of the Company or a person who executes business of the same

h A consultant, accountant or legal expert who receives a large amount of cash or other properties from the Company, in addition to executive remuneration

i A major shareholder of the Company (if the said major shareholder is a corporation, a person who executes business of the said corporation)

j A person who executes business of a business partner of the Company (that does not correspond to f, g, or h; applies only to the person in question)

k A person who executes business of an entity with which the Company has a cross-directorship arrangement (applies only to the person in question)

l A person who executes business of an entity that receives a donation from the Company (applies only to the person in question)

m Others

#### Audit & Supervisory Board Members' (Independent) relationships with the Company (2)

| Name         | Independent Officer | Supplementary explanation for applicable items  | Reasons for appointment   |
|--------------|---------------------|---|---|
| Zenzo Sasaki | ○                   | (Significant positions concurrently held)<br><ul style="list-style-type: none"> <li>Attorney at Harumi-kyowa Law Offices</li> </ul> | Mr. Zenzo Sasaki has many years of service as a public prosecutor and has a high level of legal knowledge, as well as extensive insight and capabilities in overall organizational management.<br>Based on his experience and insight, the Company has appointed Mr. Zenzo Sasaki as an Audit & Supervisory Board Member (Independent) and expects that he is capable of making fair decisions and maintaining objectiveness and neutrality toward management to enhance the corporate governance and maintain and improve compliance in the Company.<br>As Mr. Zenzo Sasaki also satisfies the Company's "Standards for Independence of Outside Officer" and the Tokyo Stock Exchange's qualification criteria for an Independent Officer, the Company considers him capable of serving as |

|                 |   |  |   |
|-----------------|---|--|---|
|                 |   |  | an Audit & Supervisory Board Member (Independent) with no risk of conflict of interest with general shareholders.   |
| Takemi Nagasaka | ○ | (Significant positions concurrently held)<br><ul style="list-style-type: none"> <li>· Outside Audit &amp; Supervisory Board Member of Daio Paper Corporation</li> </ul>  | Mr. Takemi Nagasaka has specialized knowledge in accounting and finance as well as experience as the head of a company. Based on his experience and insight, the Company has appointed Mr. Takemi Nagasaka as an Audit & Supervisory Board Member (Independent) and expects that he is capable of making fair decisions and maintaining objectiveness and neutrality toward management to enhance the corporate governance of the Company. As Mr. Takemi Nagasaka also satisfies the Company's "Standards for Independence of Outside Officer" and the Tokyo Stock Exchange's qualification criteria for an Independent Officer, the Company considers him capable of serving as an Audit & Supervisory Board Member (Independent) with no risk of conflict of interest with general shareholders.        |
| Tetsuro Hirai   | ○ | The Nabtesco Group has a business relationship with Toyota Tsusho Corporation, where Mr. Tetsuro Hirai served as a Executive Advisor. The trading amount, however, is immaterial, accounting for less than 1% of consolidated net sales of each of the Company and Toyota Tsusho Corporation in each of the past three fiscal years. | Mr. Tetsuro Hirai has abundant experience in manufacturing as well as extensive insight and capabilities as the head of a company. Based on his experience and insight, the Company has appointed Mr. Tetsuro Hirai as an Audit & Supervisory Board Member (Independent) and expects that he is capable of making fair decisions and maintaining objectiveness and neutrality toward management to enhance the corporate governance of the Company. As Mr. Tetsuro Hirai also satisfies the Company's "Standards for Independence of Outside Officer" and the Tokyo Stock Exchange's qualification criteria for an Independent Officer, the Company considers him capable of serving as an Audit & Supervisory Board Member (Independent) with no risk of conflict of interest with general shareholders. |

**【Independent Outside Directors/Audit & Supervisory Board Member】**

Number of Independent Outside 8

## Other matters relating to Independent Officers

The Company considers an Outside Director/Audit & Supervisory Board Member to be impartial if all of the following requirements are met in addition to the criteria for Independent Directors/Auditors set by the Tokyo Stock Exchange.

- 1) The Outside Director/Audit & Supervisory Board Member is not a current major shareholder (\*) of the Company or an executive of such shareholder;
  - \* Person who directly or indirectly holds more than 5% of all voting rights or a person who is listed among the top 10 shareholders in the most recent shareholder registry
- 2) The Outside Director/Audit & Supervisory Board Member is not an executive of a major lender (\*) of the Group;
  - \* A financial institution group (person who belongs to the consolidated group to which the Group's direct lender belongs) from which the Group borrows funds, and from which the Group's total amount of borrowing exceeds 2% of the Group's consolidated total assets as of the end of the previous fiscal year
- 3) The Outside Director/Audit & Supervisory Board Member is not a major business partner of the Group (defined by a yearly transaction amount that exceeds 1% of consolidated net sales) or its executive;
- 4) The Outside Director/Audit & Supervisory Board Member is not a person for whom the Group is a major business partner (defined by a yearly transaction amount that exceeds 1% of the counterparty's consolidated net sales) or its executive;
- 5) The Outside Director/Audit & Supervisory Board Member is not a consultant, accounting professional, or legal professional who receives a large amount of remuneration (more than ¥6 million yearly) from the Group other than officers' remuneration (including a case where an organization such as a corporation or an association to which the Outside Officer belongs receives remuneration);
- 6) The Outside Director/Audit & Supervisory Board Member is not an executive of an organization such as a corporation or an association that receives a large amount of donations (more than ¥6 million yearly) from the Group;

- 7) The Outside Director/Audit & Supervisory Board Member is not a spouse or a relative within the second degree of consanguinity of the Group's executive; and
- 8) The Outside Director/Audit & Supervisory Board Member does not fall under any of the above-mentioned items from 1) through 6) for the past three years.
- 9) The Outside Director/Audit & Supervisory Board Member holds his/her office as an outside officer of Nabtesco for a period not exceeding eight years in total.

## 【Incentives】

Implementation status of policies concerning incentives for Directors

Introduction of performance-based remuneration

### Supplementary explanation for applicable items

- Compensation to Directors is composed of monthly compensation, comprising fixed basic compensation and short-term performance-linked compensation, and the Board Benefit Trust (BBT), which is stock compensation based on the degree of achievement of the Medium-term Management Plan as well as share value.
- Basic policy on the remuneration system:
  - The system shall ensure that shareholders and management share common interests by strengthening the link between compensation and the Company's performance and share value. The system shall function as an incentive to improve the medium- to long-term performance of the Group.
  - The process of determining the compensation system shall be highly objective and transparent. For further details, please refer to "Disclosure of policy on determination of remuneration amounts or calculation methods" under 【Matters relating to remuneration for Directors】 below.

Recipients of stock options

—

### Supplementary explanation for applicable items

—

## 【Matters relating to remuneration for Directors】

Disclosure of individual remuneration of each Director

Not disclosed

### Supplementary explanation for applicable items Updated

The total amount of the annual remuneration of Directors in FY2022 was 371 million yen paid to 12 Directors (including 47 million yen paid to five Outside Directors), out of which the monthly compensation was 267 million yen (including 47 million yen for five Outside Directors). With the introduction of the BBT (for which Outside Directors are not eligible), the total amounts of 12 million yen and 92 million yen were recorded as expenses for the benefits granted during the service period and at retirement, respectively, based on the number of stock delivery points granted or expected to be granted in FY2022 (the amounts were recorded based on the Japanese GAAP).

Policy on determination of remuneration amounts or calculation methods

Established

## Disclosure of policy on determination of remuneration amounts or calculation methods

Updated

### ■ Structure of the remuneration system

- 1) Compensation to Directors is composed of monthly compensation, comprising fixed basic compensation and short-term performance-linked compensation, and the Board Benefit Trust (BBT), which is stock compensation based on the degree of achievement of the Medium-term Management Plan as well as share value.
- 2) Basic compensation is fixed compensation according to the position of each Director, and is paid as monthly compensation.
- 3) The amount of performance-linked compensation (monthly compensation) to be paid is determined according to the following formula, based on the degree of achievement of annual results.

<Short-term performance-linked compensation>

$$\text{Short-term performance-linked compensation} = \text{Standard payment amount by position} \times \text{Performance evaluation coefficient}$$

\* Performance evaluation coefficient:

Determined by a matrix table using ROIC and profit (attributable to owners of the parent) for the previous fiscal year within a certain threshold as indicators (coefficient: 0.00 – 4.00)

For Directors in charge of internal companies, short-term performance-linked compensation is adjusted based on factors including the net sales growth rate, degree of improvement of operating income, degree of ROIC improvement, R&D indicators, and environmental indicators of the relevant companies.

- 4) Stock compensation is paid using the Board Benefit Trust (BBT) mechanism, and the amount of payment is determined according to the following formula, based on the degree of achievement of the Medium-term Management Plan.

<Tenure grant-type stock compensation>

$$\text{Tenure grant-type stock compensation} = \text{Share grant position} \times \text{Performance evaluation coefficient} \times \text{Medium-term Management Plan achievement coefficient}$$

\* Performance evaluation coefficient:

Determined by a matrix table using ROIC and profit (attributable to owners of the parent) for the previous fiscal year within a certain threshold as indicators (coefficient: 0.00 – 4.00)

\* Medium-term Management Plan achievement coefficient:

Set based on the degree of achievement of the net sales and operating income stated in the Medium-term Management Plan (0 – 0.5)

Grant points will be vested on the day of the Annual General Meeting of Shareholders relating to the final fiscal year ending within three years from the awarding of points.

<Retirement grant-type stock compensation>

$$\text{Retirement grant-type stock compensation} = \text{Share grant points by position}$$

Grant points will be vested on the day that the Director retires.

- 5) The composition of Directors' compensation emphasizes the link with performance and shareholder value.

| Position                          | Fixed compensation | Performance-linked compensations           |                                      |  |
|-----------------------------------|--------------------|--|--------------------------------------|--|
|                                   | Basic compensation | Short-term performance-linked compensation | Tenure grant-type stock compensation | Retirement grant-type stock compensation |
| Chairman of the Board / President | 25%                | 35%  | 25%                                  | 15%                                      |
| Director                          | 25%                | 35%  | 25%                                  | 15%                                      |

\* The above-mentioned percentages show model compositions, where the figures are the median by position with the target achievement rate for performance-linked compensation set at 100%.

- 6) Compensation, etc., for Outside Directors and Audit & Supervisory Board Members consists only of fixed compensation, with no performance-linked compensation, as these officers are in a position independent from business execution.

7) As a result of having to revise the financial results of past fiscal years due to inappropriate accounting, etc., the Company has set compensation regulations so as to demand the return of all or part of performance-linked compensation in the event of material revisions in the performance of past fiscal years which was the basis of the calculation of performance-linked compensation, or in the event that the Company incurs material loss due to an officer's wrongful or illegal act.

■Nabtesco's approach to indicators for performance-linked compensation

The basic indicators for performance-linked compensation paid to Directors (excluding Outside Directors) are ROIC and profit (attributable to owners of the parent), which reflect the fruits of all employee activity and are principal indicators linked to the improvement of ROE. In this way, the Company encourages all Directors to take note of capital costs and payout ratio, and promotes management that is mindful of the sustainable growth of the Group. Furthermore, indicators for Directors in charge of businesses have the added functions of incentivizing them to improve performance in the medium to long term by including R&D indicators to encourage the creation of intellectual property and environmental indicators showing how much CO<sub>2</sub> emission was reduced, in addition to management indicators such as the degree of ROIC improvement.

Furthermore, net sales and operating income are adopted as indicators for the degree of achievement of the Medium-term Management Plan, as they reflect the business activities of all Directors and employees, with the aim of aligning all business activities in one direction.

However, in case of impacts from events not triggered by the Company's management decisions, above indicators may be adjusted.

<Actual performance of principal indicators related to performance-linked compensation>

| ROIC | Net sales           | Operating income   | Profit             |
|------|---------------------|--------------------|--------------------|
| 8.1% | 299,802 million yen | 30,017 million yen | 64,818 million yen |

Performance-linked compensation for the fiscal year under review is calculated based on the figures in the financial results as of December 31, 2021. Because a gain on valuation, etc. resulting from the exclusion of Harmonic Drive Systems Inc. from the scope of equity method was recognized in the fiscal year under review, the amount of profit was adjusted accordingly for use as an indicator.

■Method, etc. for determining compensation

The Board of Directors determines the policy regarding compensation, etc., of Directors, compensation system, level, and amount paid to each Director, based on the deliberations and reporting of the Compensation Committee, which is composed of one internal Director and four Independent Outside Directors/Audit & Supervisory Board Members (Independent).

Compensation, etc. of Audit & Supervisory Board Members is decided upon consultation with Audit & Supervisory Board Members.

The activities of the Committee, etc. during the fiscal year under review that deliberated and determined compensation, etc. of Directors are as follows.

<Number of meetings of the committee, etc. (January 2022 to December 2022)>

| Committee, etc.        | Number of meetings |
|------------------------|--------------------|
| Remuneration Committee | 2                  |
| Board of Directors     | 2                  |

【Supporting system for Outside Directors / Audit & Supervisory Board Members (Independent)】

Outside Directors and Audit & Supervisory Board Members (Independent) are provided with uninterrupted access to management information via the management information online database, as well as notifications of Board of Directors meetings and the agenda to be discussed. Notifications of Board of Directors meetings are also sent separately via Internet mail.

**【Status of the resigned Representative Director, President, etc.】**

Name, etc. of Senior Advisor, Advisor, etc. who is a former Representative Director and President, etc.

| Name | Title and position | Responsibilities | Form and conditions of employment | Date of resignation | Term of office |
|------|--------------------|------------------|-----------------------------------|---------------------|----------------|
| —    | —                  | —                | —                                 | —                   | —              |

Total number of Senior Advisors, Advisors, etc. who are a former Representative Director and President, etc.

—

**Other items**

The Company formulated a resolution to abolish the advisor system at the Board of Directors meeting held on August 30, 2019.

**2. Matters concerning functions of business execution, auditing, oversight, nomination and remuneration decisions (overview of current corporate governance system) Updated**

“Board of Directors”

The Board of Directors formulates the Group’s basic policies and strategies, makes decisions about the execution of important business matters and supervises the way business is carried out.

It shall be composed of up to ten Directors, with at least one-third of them being Independent Outside Directors. The current Board of Directors is composed of ten Directors including five Independent Outside Directors. Meetings are held at least once a month, in principle. During FY2022, fifteen meetings were held.

“Nomination Committee”

The Company established the Nominating Committee as a consultative body of the Board of Directors to deliberate on the nomination of candidates for Director, Audit & Supervisory Board Member, President (CEO) and Representative Director positions as well as a successor plan for the new President (CEO), etc., and to report the results to the Board of Directors. The committee comprises five members or less, with a majority being Independent Outside Officers to ensure the independence of the committee. The committee consists of five members including four Independent Outside Officers as detailed below as of the time of submitting this report:

Chairman: Katsuhiko Teramoto (Chairman of the Board)

Members: Mari Iizuka (Outside Director), Naoko Mizukoshi (Outside Director), Naoki Hidaka (Outside Director), Tetsuro Hirai (Audit & Supervising Board Member (Independent))

During FY2022, three meetings were held.

“Remuneration Committee”

The Remuneration Committee, as a consultative body of the Board of Directors, deliberates on remuneration of the management team, etc. and reports the results to the Board of Directors. The committee comprises five members or less, with a majority being Independent Outside Officers to ensure the independence of the committee. The committee consists of five members including four Independent Outside Officers as detailed below as of the time of submitting this report:

Chairman: Katsuhiko Teramoto (Chairman of the Board)

Members: Mari Iizuka (Outside Director), Naoko Mizukoshi (Outside Director), Toshiya Takahata (Outside Director) and Takemi Nagasaka (Audit & Supervisory Board Member (Independent))

During FY2022, two meetings were held.



#### “Compliance Committee”

The Compliance Committee as a consultative body of the Board of Directors establishes and revises the “Nabtesco Group Code of Ethics” and deliberates priority challenges concerning the Group’s compliance system, and reports the results to the Board of Directors. The committee consists of eight members including Independent Outside Officer and outside expert as detailed below as of the time of submitting this report:

Chairman: Kazumasa Kimura (Representative Director)

Members: Atsushi Habe, Shoji Ijuin, Toshiya Fujiwara, Yasuhito Nakagawa, Tomohiro Kiriyaama, Zenzo Sasaki (Audit & Supervisory Board Member (Independent)), and Makoto Matsuo (Partner of MOMO-O, MATSUO & NAMBA)

During FY2022, three meetings were held.

#### “Audit & Supervisory Board”

The Audit & Supervisory Board audits the execution of duties of the Board of Directors and prepares Audit Reports. As a way of strengthening audit functions of the Group in line with the reinforcement of the Group management, the Audit & Supervisory Board has strengthened its audit system by establishing the Group Audit & Supervisory Board, membership of which includes the Audit & Supervisory Board Members of the Group companies. The Audit & Supervisory Board shall be composed of five or less Audit & Supervisory Board Members, of whom half or more of the members shall be Audit & Supervisory Board Members (Independent). The current Audit & Supervisory Board is composed of five members including three Audit & Supervisory Board Members (Independent). During FY2022, thirteen Audit & Supervisory Board meetings and two Group Audit & Supervisory Board meetings were held.

#### “Executive Officers Committee”

A body devoted to the execution of business pursuant to the policies and strategies of the Board of Directors and under the supervision of the Board. The current Executive Officers Committee is composed of twenty four Executive Officers. During FY2022, twelve meetings were held.

#### “Management Committee”

In line with the policies decided by the Board of Directors, the Management Committee serves as the body that discusses important matters relating to execution of the Group’s business and reports on results and the execution of business. It is composed of the President (CEO), the Presidents of the in-house companies, Executive Officers of Corporate Headquarters, and Senior General Managers, etc. During FY2022, seventeen meetings were held.

#### “Business Auditing Department”

The Business Auditing Department conducts internal business audits of Corporate Headquarters, in-house companies and Group companies. Composed of nine members, the Business Auditing Department has a basic policy to “promote effective operations and qualitative improvement of business activities in the Nabtesco Group organizations by evaluating the compliance, mechanisms and administrative systems of each operation, thereby preventing the occurrence of possible risks.

#### “Accounting Auditor”

The accounting auditor (KPMG AZSA LLC) performs accounting audits in accordance with the Companies Act and the Financial Instruments and Exchange Act. The same audit corporation has conducted audits for twenty consecutive years, and the names of the certified public accountants who performed the accounting audit for FY2022 and the structure of assistants contributing to the auditing procedures are as follows.

<Names of certified public accountants who performed audit procedures>

Ayumu Nakajima, Designated Limited Liability Partner and Managing Partner

Takeharu Kirikae, Designated Limited Liability Partner and Managing Partner

Takashi Inoue, Designated Limited Liability Partner and Managing Partner

<Structure of assistants contributing to the auditing procedures>

Thirteen certified public accountants and eighteen other staff members

### 3. Reasons for adopting the current corporate governance system

- The Company's Board of Directors specifies in the Articles of Incorporation that the term of office of a Director is one year in order to clarify the management responsibility of Directors. The Remuneration Committee, the Nominating Committee and the Compliance Committee are established as consultative bodies of the Board of Directors.
- The Company has adopted the format of a "Company with an Audit & Supervisory Board" as its institutional design under the Companies Act of Japan. The Audit & Supervisory Board has established the Group Audit & Supervisory Board, which includes Audit & Supervisory Board Members of the Group companies, as a way of strengthening audit functions of the Group.
- The Company has adopted as its corporate system the executive officer system, under which the business execution is intensively carried out under the policy, strategy and supervision of the Board of Directors. In the revised Articles of Incorporation effective March 27, 2018, the position of President was changed to executive officer, with the President to be appointed from among executive officers, and the position of titled Directors was abolished with the exception of the Chairman of the Board, serving as a chairperson of the Board of Directors.(Resolution of the 15th annual general meeting of shareholders held on March 27, 2018.)

By improving and reinforcing the corporate governance systems mentioned above, we will maintain expeditious decision-making and flexibility in business execution, strengthen our overall corporate governance, and clarify where responsibility lies, thus realizing efficient and transparent business management, which is considered helpful in enhancing the corporate value of the Nabtesco Group.

### III. Implementation of measures for shareholders and other stakeholders

#### 1. Measures to vitalize general meetings of shareholders and to ensure the smooth exercising of voting rights **Updated**

|  | Supplementary explanation   |
|--|---|
| Early notification of annual general meeting of shareholders   | The notifications of the general meetings of shareholders have been sent out three weeks before the meetings since 2007.  |
| Scheduling annual general meetings of shareholders to avoid the peak day   | Our annual general meetings of shareholders are scheduled on days other than the peak day. The month in which the annual general meeting of shareholders is held has been changed from June to March in accordance with the change in our accounting closing date in fiscal 2015. This year, the meeting was held on March 23, 2023.  |
| Allowing exercise of voting rights by electronic and magnetic means  | A system for exercising voting rights by electronic and magnetic means has been adopted since 2006.   |
| Participation in electronic voting platform and other initiatives to improve the environment for institutional investors to exercise their voting rights | We have participated in an electronic voting platform since 2007. The convocation notice (including Business Report), including an English version, is posted on Nabtesco's website, the stock exchange on which the Company's shares are listed via the disclosure system of TDnet, and the electronic voting platform four weeks before the annual general meeting of shareholders. |
| Providing convocation notice (summary) in English  | The reference document attached to the notice of convocation has been posted on our website in English since 2012. Additionally, we have also posted on our website some parts of our business reports and consolidated financial statements in English since 2016.   |

#### 2. IR activities **Updated**

|   | Supplementary explanation   | Explanation by the representative in person |
|---|---|---|
| Preparation and publication of a disclosure policy                  | The basic policy on IR information disclosure is posted on Nabtesco's website.  |   |
| Regular investor briefings for analysts and institutional investors | Briefing sessions are held twice a year after announcing the six-month and full-year results.   | Yes   |
| Regular investor briefings for overseas investors                   | In FY2022, we held online and video conferences with investors in Europe, the US, and Asia.   | Yes   |
| Posting IR materials on website                                     | Financial reports, securities reports, news releases, and integrated reports are posted on Nabtesco's website.  |   |
| Establishment of department (manager) in charge of IR               | The unit of the General Administration Department that had been in charge of CSR and IR activities was reorganized into a newly established department, the Corporate Communication Department, in January 2018 for active promotion of those activities. |   |

### 3. Measures for respecting the position of stakeholders Updated

|   | Supplementary explanation   |
|---|---|
| Stipulation of internal rules for respecting the position of stakeholders | We have established The Nabtesco Way, which is composed of the Corporate Philosophy and Our Promises as well as the Action Guidelines, as a common set of principles applying to all employees in the performance of their duties and decision-making, and the Nabtesco Group Code of Ethics.   |
| Implementation of environmental protection and CSR activities             | In 2016, the Nabtesco Group established the CSR Committee as an organization that oversees all of its CSR activities under the direct control of the CEO, and formulated the Nabtesco Group's CSR Basic Policy. Since then, the Group has been strategically implementing measures to solve the CSR issues that are important for Nabtesco and its stakeholders based on the Policy, which clearly states that the Group is committed to fulfilling its corporate social responsibility to meet its stakeholders' expectations and requests. In 2021, the Group reviewed its material CSR issues ("CSR materiality") and newly specified its material management issues ("Management materiality"). Subsequently in 2022, the CSR Committee reviewed the management materiality as part of its activities. The Group will systematically conduct activities for the material management issues toward achieving its long-term vision and contributing to the attainment of the SDGs. In its effort to address environmental issues including climate change and foster environmental management based on its management materiality, the Nabtesco Group is working to reduce its greenhouse gas emissions and promoting energy-saving activities on a Group-wide basis. It has introduced the energy-saving awards program, the energy-saving product certification program and the environmental contribution measurement program as incentive programs for environmental protection, and is also fostering the use of solar power generation systems. The Group is thus steadily working to reduce its greenhouse gas emissions while quantitatively monitoring the progress and effects of the activities conducted to this end across the Group. In 2019, the Group expressed its support for the recommendations made by the Task Force on Climate-related Financial Disclosure (TCFD) and has since been measuring and disclosing the financial impact caused by the risks and opportunities arising from climate change. Also, the Group is committed to fulfilling its social responsibility through manufacturing while implementing multifaceted initiatives, including those for zero emissions and water resource conservation. |
| Formulation of policies on the provision of information to stakeholders   | The Insider Information Management Standards and the Guidelines on Information Disclosure for Public Relations and IR have been established.  |

## IV. Matters related to the internal control system

### 1. Basic views on the internal control system and progress of system development

The Chief Executive Officer (CEO) shall be the top executive responsible for the promotion of internal control.

The Board of Directors shall examine the maintenance of internal control systems on a continual basis in line with changes in the business environment and social needs, revisions to laws and regulations, risk diversification and other factors, and shall conduct a review yearly and whenever else necessary.

1. The System to ensure that Directors, Executive Officers and employees perform their duties in compliance with laws and the Articles of Incorporation
  - (1) Directors, Executive Officers and employees shall comply with the Nabtesco Way and the Nabtesco Group Code of Ethics as the basis of appropriate and fair business activities, shall behave in accordance with social norms/ethics as members of society, and shall endeavor to establish and maintain a sound corporate culture.
  - (2) (The Board of) Directors and Executive Officers shall make proper decisions on important management matters stipulated in laws and regulations, the Articles of Incorporation, the Board of Directors' rules, the Responsibility and Authority Regulations, etc.
  - (3) Executive Directors and Executive Officers shall perform their respectively delegated duties in accordance with proper decisions by the Board of Directors, and shall report on the execution of their duties to the Board of Directors. Should a Director or an Executive Officer have any doubts on whether the execution of the duties by himself/herself or other Directors/Executive Officers are in compliance with laws and regulations and the Articles of Incorporation, the Director or the Executive Officer shall report these doubts to the Board of Directors and Audit & Supervisory Board Members (or the Audit & Supervisory Board).
  - (4) Directors, Executive Officers and employees shall ensure the rationality, adequacy and legality of their decisions by actively and thoroughly hearing the expert opinions of expert staff members of the Head Office and/or outside experts during decision-making and performance of duties.
  - (5) The Board of Directors shall make use of the multifaceted and impartial advice provided by Outside Directors and Audit & Supervisory Board Members (Independent) to make appropriate decisions.
  - (6) In order to promote the compliance of the Group, the Compliance Committee shall be set up as an advisory body of the Board of Directors. The Committee shall deliberate important matters, etc. concerning compliance and report to the Board of Directors.
  - (7) To assist the CEO in promoting compliance, organizations responsible for promoting compliance shall be set up to review compliance systems in accordance with social conditions, revision of laws, etc., and to provide training on compliance to Directors, Executive Officers and employees.
  - (8) Directors, Executive Officers and employees shall be obliged to report any misconduct within the Group, and a corporate ethics hotline shall be established and operated as one of the methods to achieve this. The person who used this corporate ethics hotline will not be treated unfavorably on the grounds of having made such reports.
  - (9) To ensure the adequacy of financial reports, an internal control system over financial reports and a system to evaluate its validity shall be developed and operated.
2. The System for storing and managing information on the performance of duties by Directors and Executive Officers
  - (1) Directors and Executive Officers shall properly prepare, store and manage the following information (in written form or on electromagnetic record; the same applies hereinafter) on the performance of their duties in keeping with their respective duties and in accordance with laws and company regulations.
    - ① Minutes of general shareholders' meetings and related documentation
    - ② Minutes of Board of Directors' meetings and related documentation
    - ③ Records of the proceedings at other important meetings hosted by Directors or Executive Officers (e.g., Management Committee meetings) and related documentation
    - ④ Notices of decisions made by Directors or Executive Officers, and appended documentation

- ⑤ Other important documentation related to Directors' and Executive Officers' performance of their duties
    - (2) The parties responsible for the preparation, storage and management of the information set forth in (1) above shall be the chairmen of the respective meetings or a separately assigned Director, decision-maker, or the Director or the Executive Officer responsible for performing the duties in question.
    - (3) Efforts shall be made to establish and continually strengthen and improve adequate security for electromagnetic records to combat the risks of unauthorized disclosure posed by the increasing sophistication of information technology.
3. The Regulations and other systems for managing the risk of loss.
  - (1) The system shall be developed so that a scheme shall be put in place to ensure that profits and losses, asset efficiency, quality issues, accidents, and other matters concerning the execution of operations are reported to the Board of Directors in a suitable and timely fashion, and to ensure that Directors and employees who became aware of matters that could have a seriously adverse impact on Nabtesco and its Group report these promptly and precisely to (the Board of) Directors, and efforts shall be made to discover risks early so as to minimize losses.
  - (2) To manage various risks and prevent losses with regard to business activities of Nabtesco and its Group, the Risk Management Committee, Group Quality & PL (Product Liability) Committee, Group ESH (Environment, Safety and Health) Committee, etc., shall be established as cross-group organizations, and the rules for information security and business continuity plan at the time of a critical accident and disaster, and other relevant company regulations shall be established.
  - (3) Risk management shall be conducted while ensuring rationality, adequacy and legality of decision-making through deliberation on the performance of important matters concerning the execution of operations by the Board of Directors and Management Committee and compliance with, and thoroughgoing implementation of, the Responsibility and Authority Regulations.
  - (4) Reporting requirements in the event of accidents, disasters or critical quality problems and other events that may have serious adverse effects on the Group's business performance, financial condition and credibility shall be set forth within company regulations, and steps shall be taken to ensure that information is promptly and suitably conveyed and that contingency measures are implemented during emergencies in accordance with these regulations.
  - (5) Expert members of the Head Office, particularly in the Business Auditing Department, shall conduct cross-organizational audits of operational risk management, and shall offer necessary and appropriate advice with regard to operational improvements.
4. The System to ensure that Directors and Executive Officers perform their duties efficiently
  - (1) The necessary organizations shall be formed to ensure that Directors and Executive Officers perform their duties efficiently, and the respective responsibilities of these organizations shall be stipulated. Responsibility for operations shall be divided among Executive Directors and Executive Officers in accordance with Board of Directors' resolutions, and Executive Directors and Executive Officers shall perform their duties in keeping with these divisions of responsibility.
  - (2) A company shall be established as a strategic business unit. Each company shall perform operations in accordance with the Responsibility and Authority Regulations and report on the same.
  - (3) Efforts shall be made to ensure the suitability and efficiency of decision-making by the Board of Directors with regard to the performance of operations to be submitted for consideration to the Board of Directors by having the Management Committee conduct preliminary examinations to clarify the points of issue before passing the matter on to the Board of Directors.
5. The System to ensure the suitability of operations by the Company and the Group
  - (1) All principles and policies for internal control shall be applied to the whole Nabtesco Group, and efforts shall be made to disseminate and standardize these throughout the Group as a whole.

- (2) Group Companies Management Regulations shall be established to stipulate management classifications and management items for subsidiaries, and the Responsibility and Authority Regulations shall be set up, taking into account the scale and importance (impact onto the Group) of subsidiaries as well as their autonomy. Furthermore, a system shall be developed so that subsidiaries shall report their important matters with regard to the performance of operations to the Company.
  - (3) Efforts shall be made to improve the suitability and efficiency of business operations at subsidiaries as well as to make qualitative improvements to financial reports by adopting a fully-consolidated basis and appropriately reflecting the performance of all subsidiaries into the consolidated performance of the company and by conducting performance assessment of the management of companies on a consolidated basis.
  - (4) Efforts shall be made to dispatch its personnel as Directors and Audit & Supervisory Board Members to subsidiaries from the Company to ensure more suitable decision-making and performance of operations and to homogenize and improve audits of subsidiaries through the Group Audit & Supervisory Board.
  - (5) Internal audits of subsidiaries shall be performed by our Business Auditing Department. Advice regarding improvements shall be provided as necessary and appropriate as part of these audits.
  - (6) Efforts shall be made to thoroughly communicate the Nabtesco Group Code of Ethics to subsidiaries and to develop and strengthen compliance systems at subsidiaries by means of training on compliance and information sharing.
6. Items on employees to support Audit & Supervisory Board Member (“support personnel”), when Audit & Supervisory Board Members requested to assign employees to support Audit & Supervisory Board Members
- (1) Should Audit & Supervisory Board Members (or Audit & Supervisory Board) request that support personnel be assigned, the appropriate personnel shall be promptly secured after preliminary discussions with Audit & Supervisory Board Member (or Audit & Supervisory Board).
  - (2) To ensure the independence of support personnel from Directors, reassignments and evaluations of these support personnel shall be made only after prior consultation with Audit & Supervisory Board Member (or Audit & Supervisory Board).
  - (3) Support personnel shall be subject to the instructions and orders of Audit & Supervisory Board Member (or Audit & Supervisory Board) in engaging in such support tasks.
7. The System enabling Directors, Executive Officers and employees to report to Audit & Supervisory Board Member; other systems for reporting to Audit & Supervisory Board Member
- (1) Directors aware of matters that could have a seriously adverse impact on the Company and its Group shall immediately report these to Audit & Supervisory Board Member (or Audit & Supervisory Board).
  - (2) Directors, Executive Officers and employees shall respond promptly and appropriately to requests by Audit & Supervisory Board Member for reports on the Company’s business or for cooperation in investigating the status of the Company’s operations and assets.
  - (3) With the aim of enhancing cooperation between Audit & Supervisory Board Members and the Business Auditing Department, consultations and exchange of information and views concerning audits shall be carried out through the Audit Council, etc. Furthermore, Group Audit & Supervisory Board shall conduct consultations and report and exchange views with Audit & Supervisory Board Members and Audit & Supervisory Board Members of subsidiaries with regard to audits.
  - (4) The departments associated with internal control shall periodically report on the development and operation status of the internal control system (including reports from Directors and employees, etc. of subsidiaries to the relevant departments) to Audit & Supervisory Board Members.
  - (5) Information on “Audit & Supervisory Board Member’s Hotline” established by Audit & Supervisory Board shall be noticed to Directors, Executive Officers and employees.
  - (6) The person who reported the relevant matter to an Audit & Supervisory Board Member (including those who reported the same to “Audit & Supervisory Board Member’s Hotline”) will not be treated unfavorably on the grounds of having made such reports.

8. The Systems to ensure that audits by Audit & Supervisory Board Members are carried out effectively
- (1) A certain amount of the budget shall be set yearly for paying expenses, etc., with respect to the performance of duties of the Audit & Supervisory Board Members. In the event that an Audit & Supervisory Board Member requests from the Company advance payment of expenses associated with the performance of their duties, the Company shall account for such expenses, etc., immediately according to laws and regulations, regardless of whether or not the expenses requested are within the budget.
  - (2) Audit & Supervisory Board Members shall be permitted to attend Management Committee meetings and all other important meetings and to view all management information, to enable themselves to implement audits and check the decision-making process on the important matters in the performance of operations, based on the information equivalent to information available to Directors.
  - (3) Audit & Supervisory Board Members may hold regular meetings to exchange views with CEO and the Representative Directors.
  - (4) Audit & Supervisory Board Members may request Executive Officers and other important employees to report on the performance of duties.
  - (5) A system shall be ensured to enable Audit & Supervisory Board Members to exchange views with financial auditor and the Accounting & Finance Department regularly and confirm the adequacy of financial reports.

## 2. Basic views on elimination of anti-social forces and implementation status

The Nabtesco Group Code of Ethics stipulates that “We will avoid any relationship with anti-social forces, and will firmly and resolutely oppose and refuse any improper demands made by anti-social forces.” In entering into agreements, clauses concerning the elimination of anti-social forces are included.

The Company designates a staff member responsible for matters related to anti-social forces within the General Administration Department, which serves as the supervisory organization. The department centrally manages information about anti-social forces, distributes the Manual on Special Anti-violence Countermeasures to all staff members of the department, and regularly provides them with external training.

Furthermore, the latest information on anti-social forces as well as advice is obtained based on strengthened collaborative relationships with the police and other special anti-violence bodies.



## V. Others

### 1. Adoption of anti-takeover measures

|                                    |      |
|------------------------------------|------|
| Adoption of anti-takeover measures | None |
|------------------------------------|------|

Supplementary explanation for applicable items

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### 2. Other matters concerning corporate governance system, etc.

The Company's internal structure for timely information disclosure is as follows.

#### 1. Department responsible for insider information

The Company has set forth the Insider Information Management Standards with the aim of appropriately managing insider information, and centrally manages information by designating the Executive Officer of the Corporate Planning and the Corporate Planning Department as the person and the organization responsible for information management, respectively.

#### 2. Internal structure for information disclosure and timely information disclosure

The Company has set forth Information Disclosure Standards on PR and IR with the aim of smoothly implementing the "disclosure" provided in the Insider Information Management Standards and maintaining the homogeneity and impartiality of the disclosed information. It promptly discloses information by designating the General Manager of the Corporate Communication Department and the Corporate Communication Department as the person and the organization responsible for information disclosure, respectively. Information that requires prompt and timely disclosure is reported to the president by the Executive Officer of Corporate Communication, who is responsible for timely information disclosure, through predetermined communication routes and procedures.

#### 3. Method for disclosing corporate information

Nabtesco releases information via TDnet established by the Tokyo Stock Exchange (TSE). Materials are distributed to the TSE's press club as necessary and, at the same time, posted on our website.

Corporate Governance System

