

**Last Update: March 29, 2024**

**Nippon Aqua Co., Ltd.**

Fumitaka Nakamura, President and Representative Director

Contact: Masahiko Komuro, General Manager of Corporate Planning Department

Securities code: 1429

<https://www.n-aqua.jp>

The corporate governance of Nippon Aqua Co., Ltd. (the “Company”) is described below.

## I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information

### 1. Basic Views

The basic concept of our corporate governance is to aim for a stable increase in corporate value while maintaining a high level of integrity and transparency, and fulfilling our social responsibilities as a listed company.

Specifically, we will actively disclose information about our business and pursue growth in performance and financial soundness by quickly reflecting our management and business policies in our business activities. In addition, we believe it is important to deepen engagement with stakeholders and effectively operate our internal control system to eliminate judgments and decisions based on our internal circumstances and build an effective governance structure.

### Reasons for Non-compliance with the Principles of the Corporate Governance Code

We have implemented all the principles of the Corporate Governance Code.

### Disclosure Based on each Principle of the Corporate Governance Code

[Principle 1-4 Cross-Shareholdings]

We may acquire shares of our business partners if we judge that it will contribute to the improvement of our corporate value through the creation of business opportunities and the strengthening of transaction relationships. On the other hand, if we judge that holding shares is not appropriate, we will, in principle, sell them. For listed shares, the Board of Directors verifies the consistency with the purpose of holding each individual stock and the medium- to long-term economic rationality (including capital costs) once a year, and judges whether to continue holding. Regarding the exercise of voting rights of held shares, we scrutinize the contents of the agenda of the general meeting of shareholders based on whether the proposal is in line with the medium- to long-term improvement of our corporate value. Based on this review within the company, we make a judgment and exercise the rights.

[Principle 1-7 Related Party Transactions]

We ensure that transactions involving competition among directors, transactions that conflict with the company's interests, and significant related party transactions are approved in advance by the Board of Directors in accordance with laws and regulations and the related party transaction management rules. We also verify the fairness and rationality of related party transactions and report the results to the Board of Directors. Please refer to the following for the procedures when dealing with our parent companies (YAMADA HOLDINGS CO., LTD., Hinokiya Group Co., Ltd.) and their subsidiaries, which are described later.

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

## 5. Other Special Circumstances which may have a Material Impact on Corporate Governance

[Supplementary Principle 2-4-1 Ensuring Diversity in the Appointment of Core Personnel]

This is disclosed in the "Integrated Report".

<https://www.n-aqua.jp/ir-en/stock/bizreport/>

[Principle 2-6 Roles of Corporate Pension Funds as Asset Owners]

Our company does not have a defined benefit corporate pension system, so this does not apply.

[Principle 3-1 Full Disclosure]

(1) Company's goals (Management Philosophy, etc.), business strategy, and business plan

Our Management Philosophy, etc. is disclosed in the "Integrated Report".

<https://www.n-aqua.jp/ir-en/stock/bizreport/>

On February 14, 2024, we formulated the Medium-Term Management Plan "3 Pillars of Stability" for the fiscal years 2024 to 2026, which is disclosed on our website.

<https://www.n-aqua.jp/ir-en/library/result/>

(2) Basic thoughts and policies on corporate governance

As stated in this report.

(3) Policies and procedures for the Board of Directors to determine the remuneration of management executives and directors  
Disclosed in the Securities Report Section 4 "Status of the Company" 4 "Corporate Governance". (Provided in Japanese.)

<https://www.n-aqua.jp/ir/library/securities/>

(4) Policies and procedures for the Board of Directors to nominate and dismiss management executives and to nominate candidates for directors and audit & supervisory board members.

Disclosed in the Securities Report Section 4 "Status of the Company" 4 "Corporate Governance". (Provided in Japanese.)

<https://www.n-aqua.jp/ir/library/securities/>

(5) Explanation for each nomination and dismissal of management executives and nomination of candidates for directors and audit & supervisory board members by the Board of Directors based on the above (4).

The reasons for the appointment of the current directors (excluding directors who are audit & supervisory board members) and directors who are audit & supervisory board members are as stated in the notice of the ordinary general meeting of shareholders.

<https://www.n-aqua.jp/ir-en/stock/resolve/>

[Supplementary Principle 3-1-3 Disclosure of Sustainability, etc.]

Our company supports the international framework for reducing greenhouse gas emissions, the "Paris Agreement", and the Japanese government's "2050 Carbon Neutral Declaration".

(1) Environmental Initiatives

In May 2023, our company established the ESG Committee to analyze the impact of climate change risks and opportunities on our business, consider countermeasures, and disclose information based on the TCFD recommendations in our "Integrated Report".

<https://www.n-aqua.jp/ir-en/stock/bizreport/>

(2) Human Capital and Diversity

Our company recognizes the establishment of a robust construction system and the stable acquisition of excellent human resources as key factors for future growth. As specific measures, we disclose our initiatives related to "Response to the Construction Industry 2024 Issue", "Acceptance of Technical Intern Trainees", "Support for Women's Active Participation", "Hiring Foreigners and Mid-career Recruits", and "Certified Contractors System" in our "Integrated Report".

<https://www.n-aqua.jp/ir-en/stock/bizreport/>

[Supplementary Principle 4-1-1 Scope of Directors' Delegation]

The Board of Directors makes decisions on important matters in accordance with laws, articles of incorporation, and internal regulations. For business execution, we delegate to the director in charge of operations and the Executive Officer to ensure quick and accurate execution judgments.

[Principle 4-9 Independence Standards and Qualification for Independent Directors]

As stated in the notice of the annual shareholders' meeting.

<https://www.n-aqua.jp/ir-en/stock/resolve/>

[Supplementary Principle 4-10-1 Utilization of Optional Mechanisms]

Our company has a majority of independent outside directors on the Board of Directors. We have also established optional Nomination Committee and Remuneration Committee, and the details are disclosed in the Securities Report Section 4 "Status of the Company" 4 "Corporate Governance". (Provided in Japanese.)

<https://www.n-aqua.jp/ir/library/securities/>

[Supplementary Principle 4-11-1 Thoughts on the Balance of Knowledge, Experience, and Ability of the Board of Directors as a Whole, Diversity, and Scale]

Our company does not discriminate based on gender, age, or nationality, and selects director candidates based on their experience, achievements, abilities, and personal character. The skill matrix of the current Board of Directors is disclosed in the "Integrated Report".

<https://www.n-aqua.jp/ir-en/stock/bizreport/>

[Supplementary Principle 4-11-2 Concurrent Positions of Directors]

As stated in the notice of the annual shareholders' meeting.

[https://www.n-aqua.jp/ir-en/stock/resolve /](https://www.n-aqua.jp/ir-en/stock/resolve/)

[Supplementary Principle 4-11-3 Analysis and Evaluation of the Effectiveness of the Board of Directors]

Our company conducts an effectiveness evaluation of the Board of Directors by conducting a named questionnaire with the cooperation of an external consultant to confirm whether the Board of Directors is functioning properly. For the fiscal year ending December 2023, we conducted the following questionnaire to all directors (11 people) in January 2024.

(1) Items of the questionnaire

The main items of the questionnaire are as follows.

We use a method of evaluating each explanation on a five-point scale and provide a free comment section for the relevant item.

- i. Role and function of the Board of Directors
- ii. Composition of the Board of Directors
- iii. Operation of the Board of Directors
- iv. Discussion status of the Board of Directors
- v. Others

(2) Summary of evaluation results

It has been confirmed that the Board of Directors is operating effectively through deliberations. In particular, we received high evaluations for the points where feedback to the Board of Directors on the dialogue situation with shareholders (investors) is properly conducted, conflicts of interest with management and controlling shareholders and other related parties are properly managed by the approval of the Board of Directors, and free and constructive discussions and exchanges of opinions are being held.

[Supplementary Principle 4-14-2 Training of Directors and Audit & Supervisory Board Members]

Our company conducts various training sessions at least once a year for directors, directors who are audit & supervisory board members, and executive officers. We also periodically conduct lectures on compliance led by our advisory lawyer. In addition, our company facilitates the participation of directors and audit & supervisory board members in external seminars and membership in external organizations for the purpose of acquiring necessary knowledge and information and self-improvement, and bears the cost thereof.

[Principle 5-1 Policy for Constructive Dialogue with Shareholders]

Our company will continue to enhance sustainable growth and long-term corporate value through constructive dialogue with shareholders. The Management Planning Department serves as the point of contact for dialogue with shareholders, but depending on the purpose and content of the dialogue, the President, the responsible Board of Directors member, or the responsible Executive Officer may also participate in the dialogue. Opinions and concerns of shareholders and investors identified in the dialogue are compiled by the Management Planning Department and, if necessary, reported and shared at the Board of Directors meetings. Please note that we strictly manage insider information in accordance with internal regulations.

## 2. Capital Structure

|                            |                               |
|----------------------------|-------------------------------|
| Foreign Shareholding Ratio | 10% or more but less than 20% |
|----------------------------|-------------------------------|

### Status of Major Shareholders

| Name or Company Name                                       | Number of Shares Owned | Percentage (%) |
|--|------------------------|----------------|
| Hinokiya Group Co., Ltd.                                   | 17,700,000             | 56.36          |
| Fumitaka Nakamura  | 1,005,800              | 3.20           |
| Custody Bank of Japan, Ltd. (Trust Account)                | 1,004,400              | 3.19           |
| The Master Trust Bank of Japan, Ltd. (Trust Account)       | 914,600                | 2.91           |
| NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY               | 804,600                | 2.56           |
| KIA FUND 136   | 691,600                | 2.20           |
| Goldman Sachs Bank Europe SE, Luxembourg Branch            | 667,700                | 2.12           |
| JP Morgan Securities Japan Co., Ltd.                       | 472,860                | 1.50           |
| GOVERNMENT OF NORWAY                                       | 466,200                | 1.48           |
| THE CHASE MANHATTAN BANK, N.A. LONDON SPECIAL ACCOUNT NO.1 | 425,700                | 1.35           |

Name of Controlling Shareholder, if applicable  
(excluding Parent Companies)

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Name of Parent Company, if applicable

YAMADA HOLDINGS Co., Ltd. (Hinokiya Group Co., Ltd.)  
(Listed Stock Exchange: Tokyo Exchange) (Code) 9831

Supplementary Explanation

The status of major shareholders is as of the end of December 2023.

As of March 15, 2023, according to the change report made available for public inspection on March 22, 2023, Schroder Investment Management Limited is reported to hold 1,371,800 shares (holding ratio of 3.95%). Also, as of May 13, 2021, according to the change report made available for public inspection on May 18, 2021, VIS Advisors, LP is reported to hold 1,393,500 shares (holding ratio of 4.01%). However, we have not been able to confirm the actual number of shares held by these companies as of December 31, 2023, so they are not included in the major shareholders mentioned above.

### 3. Corporate Attributes

|   |  |
|---|--|
| Listed Stock Exchange and Market Segment                                      | Prime Market                                   |
| Fiscal Year-End   | December                                       |
| Business Sector   | Construction                                   |
| Number of Employees (Consolidated) as of the End of the Previous Fiscal Year  | 500 or more but fewer than 1,000               |
| Net Sales (Consolidated) for the Previous Fiscal Year                         | ¥10 billion or more but less than ¥100 billion |
| Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year | Fewer than 10                                  |

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

Our company is a subsidiary of Hinokiya Group Co., Ltd., which is a wholly-owned subsidiary of YAMADA HOLDINGS CO., LTD. As of the end of December 2023, Hinokiya Group Co., Ltd. holds 56.36% of our company's voting rights.

Although we do not have a business relationship with YAMADA HOLDINGS CO., LTD., we do have transactions such as insulation construction sales with Yamada Homes Co., Ltd. and Hinokiya Group Co., Ltd., which are subsidiaries of the company. These transactions are carried out after obtaining approval from the Board of Directors in advance, in accordance with our related party transaction management regulations. The actual transaction prices are determined through discussions each time, taking into account our estimated prices and market prices, and we conduct transactions that do not harm the interests of our company and our minority shareholders.

### 5. Other Special Circumstances which may have a Material Impact on Corporate Governance

#### 1. Parent company's thoughts and policies on group management

##### (1) Parent company's thoughts on group management

YAMADA HOLDINGS CO., LTD., our parent company, is expanding its business related to "living," including home appliance sales, under the concept of "whole life." Each company aims to improve corporate value while independently striving to improve corporate value, and aims to improve corporate value by demonstrating group synergy.

##### (2) Thoughts on the significance of having listed subsidiaries in the parent company

Under the policy of (1), we believe that maintaining our listing will make it easier to attract excellent personnel, maintain our brand, secure credibility, expand orders, and even improve employee motivation, thereby contributing to the value improvement of the parent company group.

#### 2. Thoughts and measures on independence from the parent company

##### (1) About the personal relationship with the parent company, etc.

None of our 11 directors are from YAMADA HOLDINGS CO., LTD., Hinokiya Group Co., Ltd., or their subsidiaries, or are seconded.

(2) Establishment of the Nomination Committee

We have set up a voluntary Nomination Committee to consult with the Board of Directors on the nomination of candidates for directors (excluding directors who are audit and supervisory committee members) and directors who are audit and supervisory committee members, and the appointment and dismissal of the president and other officers. The committee consists of one internal director and three independent external directors, ensuring independence from the parent company in the selection of management.

(3) About the transaction relationship

As described in the above 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder.

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight

### 1. Organizational Composition and Operation

|                             |                                    |
|-----------------------------|------------------------------------|
| Corporate Governance System | Company with Supervisory Committee |
|-----------------------------|------------------------------------|

#### Directors

|   |           |
|---|-----------|
| Number of Directors Stipulated in Articles of Incorporation       | 13        |
| Directors' Term of Office Stipulated in Articles of Incorporation | 1 year    |
| Chairperson of the Board  | President |
| Number of Directors   | 11        |
| Election of Outside Directors                                     | Elected   |
| Number of Outside Directors                                       | 6         |
| Number of Independent Directors                                   | 6         |

#### Outside Directors' Relationship with the Company (1)

| Name               | Attributes           | Relationship with the Company* |   |   |   |   |   |   |   |   |   |   |
|--------------------|----------------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|
|                    |                      | a                              | b | c | d | e | f | g | h | i | j | k |
| Yoshiaki Takahashi | From another company |                                |   |   |   |   |   |   |   |   |   |   |
| Takeshi Kenmochi   | From another company |                                |   |   |   |   |   |   |   |   |   |   |
| Junichi Tamagami   | From another company |                                |   |   |   |   |   |   |   |   |   |   |
| Yuki Matsuda       | Lawyer               |                                |   |   |   |   |   |   |   |   |   |   |
| Naofumi Higuchi    | CPA                  |                                |   |   |   |   |   |   |   |   |   |   |
| Hidetaka Nishina   | Lawyer               |                                |   |   |   |   |   |   |   |   |   |   |

\*Categories for "Relationship with the Company".

(Use “○” when the director presently falls or has recently fallen under the category; “△” when the director fell under the category in the past; “●” when a close relative of the director presently falls or has recently fallen under the category; and “▲” when a close relative of the director fell under the category in the past.)

- a. Person who executes business for the Company or its subsidiary
- b. Person who executes business for a non-executive director of the Company's parent company
- c. Person who executes business for a fellow subsidiary
- d. Person/entity for which the Company is a major client or a person who executes business for said person/entity
- e. Major client of the Company or a person who executes business for said client
- f. Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company in addition to remuneration as a director/company auditor
- g. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
- h. Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to director him/herself only)
- i. Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to director him/herself only)
- j. Person who executes business for an entity receiving donations from the Company (applies to director him/herself only)
- k. Other

#### Outside Directors' Relationship with the Company (2)

| Name               | Membership of Supervisory Committee | Designation as Independent Director | Supplementary Explanation of the Relationship | Reasons for Appointment   |
|--------------------|-------------------------------------|-------------------------------------|---|---|
| Yoshiaki Takahashi |                                     | ✓                                   | -   | Mr. Yoshiaki Takahashi served in important positions at companies such as The Daiei, Inc. and Frontier Management Inc., and has a wealth of experience in corporate management and organizational operations. He served as an Outside Auditor of the Company for three years from March 2014, and is well versed in the business of the Company. He has been participating in management as an Outside Director since March 2023, and the Company expects that he will continue to provide advice on the management of the Company and appropriately supervise it from an objective perspective, and has therefore nominated him as a candidate for Outside Director. |
| Takeshi Kenmochi   |                                     | ✓                                   | -   | Mr. Takeshi Kenmochi has a wealth of experience and broad insight as a business manager, including serving as Representative Director and Vice President of TAKAYOSHI, INC., in addition to professional knowledge, experience, etc. cultivated as a certified public accountant. He has been participating in management as an Outside Director since March 2023, and the Company expects that he will continue to provide advice on the management of the Company and appropriately supervise it from   |

|                  |   |   |   |   |
|------------------|---|---|---|---|
|                  |   |   |   | an objective perspective, and has therefore nominated him as a candidate for Outside Director.  |
| Junichi Tamagami | ✓ | ✓ | - | Mr. Junichi Tamagami has served in important positions in the administration department of the Bridgestone Cycle Corporation Group and has a wealth of experience and advanced insight. He served as Full-time Outside Auditor of the Company for six years from March 2017, and is well versed in the business of the Company. Based on this experience and insight, the Company expects that he will supervise overall management and implement appropriate audits if he assumes office as Director who is an Audit and Supervisory Committee Member, and has therefore nominated him as a candidate for Outside Director who is an Audit and Supervisory Committee Member. |
| Yuki Matsuda     | ✓ | ✓ | - | Ms. Yuki Matsuda has a wealth of experience and advanced insight and expertise as an attorney, and is well versed in corporate law. She has provided beneficial and honest opinions and suggestions as an Outside Director of the Company since March 2017, and has contributed to the soundness and transparency of the decision-making of the Company. Based on these achievements, the Company expects her to supervise the overall management of the Company and implement appropriate audits, and has therefore nominated her as a candidate for Outside Director who is an Audit and Supervisory Committee Member.  |
| Naofumi Higuchi  | ✓ | ✓ | - | Mr. Naofumi Higuchi has been involved in corporate accounting audits as a certified public accountant and serves as a professor at Tohoku University Accounting School, and has a high degree of knowledge and broad experience regarding finance and accounting. He has provided beneficial and honest opinions and suggestions as an Outside Director of the Company since March 2020, and has contributed to the soundness and transparency of the decision-making of the Company. Based on these achievements, the Company expects him to   |



|                  |   |   |   |   |
|------------------|---|---|---|---|
|                  |   |   |   | supervise the overall management of the Company and implement appropriate audits, and has therefore nominated him as a candidate for Outside Director who is an Audit and Supervisory Committee Member.   |
| Hidetaka Nishina | ✓ | ✓ | - | Mr. Hidetaka Nishina has a wealth of experience and advanced insight and expertise as an attorney, and is well versed in corporate law and fields related to securities law. He has served as an Outside Auditor of the Company for six years from March 2017 to the present, and has implemented audits of the Company from an objective and professional point of view and contributed to the soundness and transparency of the decision-making of the Company. Based on these achievements, the Company expects him to supervise the overall management of the Company and implement appropriate audits, and has therefore nominated him as a candidate for Outside Director who is an Audit and Supervisory Committee Member. |

## Supervisory Committee

### Composition of Supervisory Committee and Attributes of the Chairperson

|                       | All Committee Members | Full-time Members | Inside Directors | Outside Directors | Committee Chair  |
|-----------------------|-----------------------|-------------------|------------------|-------------------|------------------|
| Supervisory Committee | 4                     | 1                 | 0                | 4                 | Outside Director |

|  |           |
|--|-----------|
| Appointment of Directors and/or Staff to Support the Supervisory Committee | Appointed |
|--|-----------|

### Matters Concerning Independence of Said Directors and/or Staff from Executive Officers/Reasons for Adopting Current System

When a director who is a member of the Audit Committee requests an employee to assist in their duties, the employee will work under the command of the director who is a member of the Audit Committee. The appointment, transfer, personnel evaluation, and personnel-related matters such as rewards and punishments of the employees who should assist the duties of the director who is a member of the Audit Committee require the prior consent of the director who is a member of the Audit Committee. This is to ensure independence from the Board of Directors.

### Cooperation among the Supervisory Committee, Accounting Auditors and Internal Audit Department

Disclosed in the Securities Report Section 4 "Status of the Company" 4 "Corporate Governance". (Provided in Japanese.)  
<https://www.n-aqua.jp/ir/library/securities/>

## Voluntary Established Committee(s)

|  |             |
|--|-------------|
| Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee | Established |
|--|-------------|

Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chairperson

|  | Committee's Name       | All Members | Full-time Members | Inside Directors | Outside Directors | Outside Experts | Other | Chairperson      |
|--|------------------------|-------------|-------------------|------------------|-------------------|-----------------|-------|------------------|
| Voluntarily Established Committee Equivalent to Nomination Committee   | Nomination Committee   | 4           | 0                 | 1                | 3                 | 0               | 0     | Outside Director |
| Voluntarily Established Committee Equivalent to Remuneration Committee | Remuneration Committee | 4           | 0                 | 1                | 3                 | 0               | 0     | Outside Director |

Supplementary Explanation

The outline and activity status of the optional Nomination Committee and Remuneration Committee are disclosed in the Securities Report Section 4 "Status of the Company" 4 "Corporate Governance". (Provided in Japanese.)  
<https://www.n-aqua.jp/ir/library/securities/>

## Matters Concerning Independent Directors

|                                 |   |
|---------------------------------|---|
| Number of Independent Directors | 6 |
|---------------------------------|---|

Other Matters Concerning Independent Directors

-

## Incentives

|  |  |
|--|--|
| Implementation Status of Measures related to Incentives Granted to Directors | Introduction of Performance-linked Remuneration Scheme / Other |
|--|--|

Supplementary Explanation for Applicable Items

Disclosed in the Securities Report Section 4 "Status of the Company" 4 "Corporate Governance". (Provided in Japanese.)  
<https://www.n-aqua.jp/ir/library/securities/>

Persons Eligible for Stock Options

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Supplementary Explanation for Applicable Items

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## Director Remuneration

|  |                                 |
|--|---------------------------------|
| Status of Disclosure of Individual Director's Remuneration | No Disclosure for any Directors |
|--|---------------------------------|

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Supplementary Explanation for Applicable Items

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The remuneration for the fiscal year ending December 2023 is as follows:

Internal Director 262,282 thousand yen

Internal Auditor – yen

Outside Director 31,080 thousand yen

|  |             |
|--|-------------|
| Policy on Determining Remuneration Amounts and Calculation Methods | Established |
|--|-------------|

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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

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Disclosed in the Securities Report Section 4 "Status of the Company" 4 "Corporate Governance". (Provided in Japanese.)  
<https://www.n-aqua.jp/ir/library/securities/>

## Support System for Outside Directors

The system to assist the duties of outside directors is primarily handled by the Human Resources and General Affairs Department, and the director in charge of administration appoints the appropriate person depending on the content.

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

### (1) Board of Directors:

The Board of Directors is composed of 11 directors (5 internal directors and 6 independent outside directors) and meets once a month. Regular deliberations include monthly financial results and their analysis, reports on the execution of duties by directors and executive officers, and the operation of the internal control system. We also discuss investment plans, engagement reports with shareholders and investors, and ESG and risk management as needed.

### (2) Audit Committee:

The Audit Committee is composed of 4 independent outside directors who are members of the Audit Committee and meets once a month. We aim to improve the effectiveness of audits through audits using the internal control system, regular meetings with the president, attendance at important meetings, and hearings from directors and executive officers.

### (3) Use of Optional Bodies:

Remuneration Committee: Composed of internal directors and a majority of independent outside directors, the directors' remuneration is determined after deliberation by the committee.

Nomination Committee: Composed of internal directors and a majority of independent outside directors, it serves as an advisory body to the Board of Directors, deliberates on the selection of director candidates, and reports to the Board of Directors.

Outside Directors Roundtable: Composed of 2 independent outside directors (excluding directors who are members of the Audit Committee) and 4 independent outside directors who are members of the Audit Committee, a total of 6 people, we hold free discussions that contribute to our management once a month.

(4) Executive Officers:

We have introduced an executive officer system since the fiscal year 2019 with the aim of speeding up decision-making and clarifying the roles and responsibilities of business execution. The term of office for executive officers is one year, and we have established executive officers with titles (Senior Executive Officer, Second-Tier Executive Officer), and their appointment and dismissal are decided by the Board of Directors.

### 3. Reasons for Adoption of Current Corporate Governance System

Our company transitioned from a company with a Board of Corporate Auditors to a company with an Audit Committee on the same day as the resolution to change the articles of incorporation to transition to a company with an Audit Committee at the 19th Ordinary General Meeting of Shareholders held on March 28, 2023. We have chosen this system because we believe that the transition to a company with an Audit Committee will further enhance the audit and supervisory functions of the Board of Directors through the participation of independent outside directors in management.

## III. Implementation of Measures for Shareholders and Other Stakeholders

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

|   | Supplementary Explanation   |
|---|---|
| Early Posting of Notice of the General Meeting of Shareholders  | We are working on early dispatch of convocation notices, and for the 20th Ordinary General Meeting of Shareholders (to be held in 2024), we dispatched them on March 8 for the meeting on March 28. |
| Scheduling of the General Meeting of Shareholders on a Non-Peak Day   | Since our fiscal year ends in December, we do not fall on a Peak Day.   |
| Electronic Exercise of Voting Rights  | We have been implementing this since the 19th Ordinary General Meeting of Shareholders (held in 2023).  |
| Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights | We have been participating in the electronic voting rights exercise platform (Tokyo Stock Exchange platform) since the 19th Ordinary General Meeting of Shareholders (held in 2023).                |
| Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English  | We have been implementing this since the 19th Ordinary General Meeting of Shareholders (held in 2023). We have posted it on our website and submitted it to the Tokyo Stock Exchange and ICJ.       |

### 2. Status of IR-related Activities

|  | Supplementary Explanation  | Explanation by a representative director or a representative executive officer |
|--|--|--|
| Regular Investor Briefings held for Individual Investors | Recently, we have been conducting explanatory meetings for individual investors according to the following schedule: | Held   |

|   |  |      |
|---|--|------|
|   | <p>Web briefing session by the representative in October 2022.</p> <p>Web briefing session by the responsible Executive Officer in March 2024.</p>   |      |
| Regular Investor Briefings held for Analysts and Institutional Investors  | <p>In the fiscal year 2023, we conducted as follows:</p> <p>Web briefing session by the responsible Executive Officer every quarter.</p> <p>Video distribution by the representative for the second quarter and the full year.</p> | Held |
| Regular Investor Briefings held for Overseas Investors                    | <p>Foreign investors also attend the above-mentioned web briefing session.</p> <p>Please note that English explanatory meeting materials are posted on our website and submitted to the Tokyo Stock Exchange.</p>                  | Held |
| Online Disclosure of IR Information                                       | We post securities reports, financial results briefings, timely disclosure materials, financial results briefing materials, notices of general meetings of shareholders, and performance trends.                                   |      |
| Establishment of Department and/or Placement of a Manager in Charge of IR | The Corporate Planning Department is in charge.  |      |
| Other   | In addition, we are flexibly responding to the interests of shareholders and investors, such as video distribution regarding the issuance of Share Acquisition Rights by the representative in January 2023.                       |      |

### 3. Status of Measures to Ensure Due Respect for Stakeholders

|  | Supplementary Explanation   |
|--|---|
| Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders | In our internal regulations, the "Nippon Aqua Code of Conduct", we have established and continuously strive to maintain appropriate relationships with various stakeholders and to act ethically. |
| Implementation of Environmental Preservation Activities and CSR Activities, etc.     | This is disclosed in the "Integrated Report".<br><a href="https://www.n-aqua.jp/ir-en/stock/bizreport/">https://www.n-aqua.jp/ir-en/stock/bizreport/</a>  |

## IV. Matters Concerning the Internal Control System

### 1. Basic Views on Internal Control System and Status of Development

The basic views on our company's internal control system and its development status are as follows:

- (1) System to ensure that the execution of duties by the Board of Directors and employees complies with laws and regulations and the Articles of Incorporation

The Board of Directors makes important decisions regarding management in accordance with the corporate philosophy, Articles of Incorporation, resolutions of the General Meeting of Shareholders, Board of Directors' rules, and business plans, and supervises the execution of duties by Directors (Directors who are not Audit & Supervisory Committee Members. Hereinafter referred to as Directors).

Directors and the Representative Director perform their duties in accordance with the roles decided at the Board of Directors' meetings, the rules on duty authority, and other internal rules, and report on the status of their duties at the Board of Directors' meetings held at least once a month.

Directors who are Audit & Supervisory Committee Members conduct audits based on the authority stipulated by laws and regulations, and in collaboration with the internal audit department and the auditing firm, they conduct audits on the legality of the execution of duties by Directors in accordance with the Audit & Supervisory Committee rules and audit plans.

We have also established a system to ensure the appropriateness of financial reporting by complying with accounting standards and other related laws and regulations in accordance with accounting rules and other internal rules.

Regarding the execution of duties by employees, the Representative Director actively participates in departmental meetings, etc., understands compliance and risks surrounding our company and their management, and has established a system deemed necessary for responding to them. In addition to audits by Directors who are Audit & Supervisory Committee Members, we have enhanced internal audits under the direction of the President and Representative Director, and strengthened the system for regularly verifying the legality and appropriateness of business activities.

(2) System for preserving and managing information related to the execution of duties by Directors

Information related to the execution of duties by Directors and information related to all business activities of employees are preserved and managed in a state where they can be appropriately searched according to the preservation classification of the document handling rules. These preserved and managed documents are maintained in a state where they can be easily viewed if requested by a Director who is an Audit & Supervisory Committee Member.

(3) Regulations and other systems for managing the risk of loss

Directors and employees of each department regularly identify risks inherent in each department, understand, analyze, and evaluate these risks, and regularly report the status of risk management to the Board of Directors.

(4) System to ensure the appropriateness of business in the corporate group consisting of the company and its subsidiaries

Our company's Directors, Executive Officers, department heads, and presidents of subsidiaries have the authority and responsibility to establish and operate a system to ensure the appropriateness of business execution in each department and subsidiary. In accordance with the internal rules and subsidiary management rules that stipulate compliance systems, risk management systems, information preservation and management systems, and efficient duty execution, etc., our company's Directors, Executive Officers, department heads, and presidents of subsidiaries establish and operate a system to ensure the appropriateness of business.

The internal audit department of our company audits the status of duty execution of our company and its subsidiaries, and contributes to ensuring the appropriateness of business in the corporate group.

(5) System to ensure that the execution of duties by Directors is carried out efficiently

We have established a system to ensure that duties are executed appropriately and efficiently through job segregation, duty authority, and decision-making rules based on internal rules.

(6) Matters concerning the system for employees who are to assist the duties of Directors who are Audit & Supervisory Committee Members when such Directors request the placement of such employees, and the independence of such employees from the Board of Directors

When a Director who is an Audit & Supervisory Committee Member requests the placement of an employee to temporarily assist in his/her duties, we ensure a system that allows for the establishment of an assistant to the Director who is an Audit & Supervisory Committee Member. Employees who receive orders necessary for audit work from Directors who are Audit & Supervisory Committee Members shall not receive orders from Directors regarding those orders. In the event that an employee is appointed to assist the duties of a director who is an audit committee member for a certain period, it is necessary to obtain the prior consent of the director who is an audit committee member for decisions related to personnel rights such as changes and performance evaluations of the employee, in order to ensure independence from the directors (excluding the director who is an audit committee member).

(7) The structure for directors and employees to report to the directors who are audit & supervisory board members, the system related to reporting to the directors who are audit & supervisory board members, and the system to ensure that the audits by the directors who are audit & supervisory board members are effectively conducted.

Directors and employees shall report to the directors who are audit & supervisory board members on important matters that affect our business operations as they arise. Notwithstanding the foregoing, the directors who are audit & supervisory board members may at any time request reports from the directors and employees as necessary. In addition, the directors who are audit & supervisory board members will exchange views with the representative directors, internal audit department, and audit corporation as necessary.

(8) Matters concerning the policy related to the procedures for advance payment or reimbursement of expenses arising from the execution of duties by the directors who are audit & supervisory board members and other matters related to the execution of such duties.

When a director who is an audit & supervisory board member requests advance payment or reimbursement of expenses incurred in the performance of his/her duties, we will handle the expenses or liabilities, except in cases where it is deemed unnecessary for the performance of the duties of the director who is an audit & supervisory board member.

(9) The system for reporting to the directors who are audit & supervisory board members and the system to ensure that those who have reported are not treated disadvantageously for having made the report.

Directors and employees shall report to the directors who are audit & supervisory board members on important matters that affect our business operations as they arise. We also have a system in place to ensure that those who have reported to the directors who are audit & supervisory board members are not treated disadvantageously for having made the report.

(10) The system to ensure the reliability and appropriateness of financial reporting.

We will strive to build, maintain, and improve a system in which internal controls related to financial reporting are effectively implemented to ensure the reliability and appropriateness of financial reporting. The directors who are audit & supervisory board members and the internal audit department will monitor and verify the status of the establishment and operation of financial reporting and its internal controls, and report improvement measures to the Board of Directors as necessary.

(11) Basic thinking and system for excluding antisocial forces.

We believe it is essential to cut off relations with antisocial forces from the perspective of corporate defense, and we will strive to strengthen our efforts to prevent any compliance with unjust demands from groups or individuals that threaten the order of civilian life. In our internal rules, we have established a regulation on measures against antisocial forces and have clarified the prohibition of relations with antisocial forces by individual employees and the company, and we conduct employee education. We also have a system in place to seek advice from external experts as necessary.

## 2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development

(Basic Philosophy)

Our company maintains a resolute stance against antisocial forces, refraining from providing any benefits under any pretext, and ensuring no involvement with such forces.

(Maintenance Status)

Our company has established an "Anti-Social Forces Policy," and in accordance with this policy, the Human Resources and General Affairs Department oversees the following initiatives:

New Business Partners: We check via Nikkei Telecom 21 and the internet, and include a termination clause in the contract in case of any association with antisocial forces.

Existing Business Partners: We conduct checks annually, between June and July, via Nikkei Telecom 21 and the internet.

Directors, Executive Officers and Employees: Prior to appointment or employment, we check via Nikkei Telecom 21 and the internet, obtain a declaration of no association with antisocial forces, and receive a written pledge to the same effect.

## V. Other

### 1. Adoption of Anti-Takeover Measures

| Adoption of Anti-Takeover Measures             | Not Adopted |
|--|-------------|
| Supplementary Explanation for Applicable Items |             |
| -  |             |

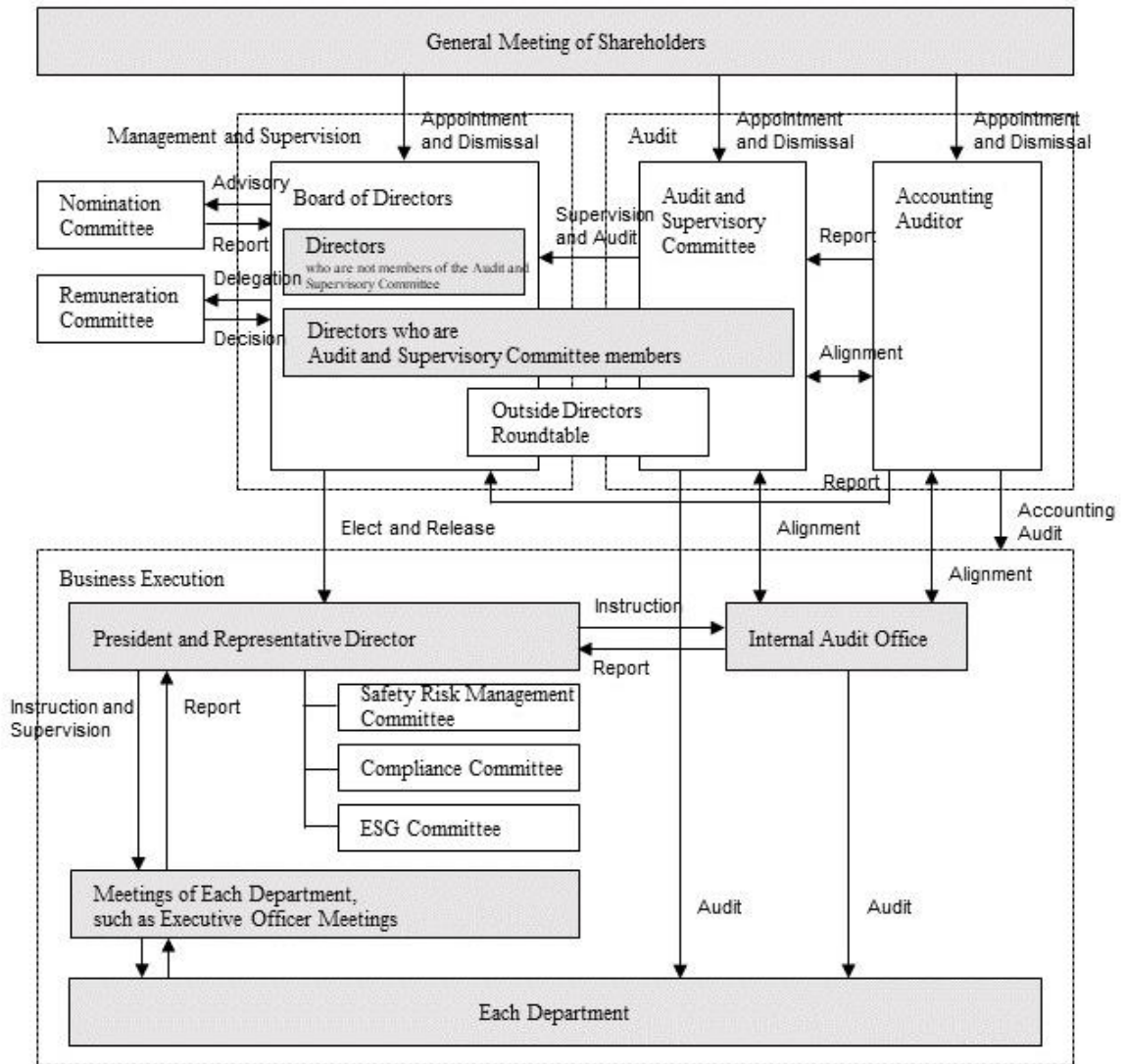
### 2. Other Matters Concerning the Corporate Governance System

(Initiatives towards the Establishment of Timely Disclosure System)

Our company positions proactive initiatives towards timely information disclosure as part of our corporate governance. We believe that ensuring a system where shareholders and others can accurately understand our company's situation is an essential requirement for establishing corporate governance. Given the nature of our business, we anticipate significant impacts from legal risks and government environmental and housing policies, etc. Therefore, we are making efforts to systematically respond to the collection and analysis of related information, such as collaboration with legal counsel, accounting advisors, and bank-affiliated economic research institutes, and the use of internal networks (groupware). The collected information is periodically gathered by the person responsible for timely disclosure, and after necessary consideration and procedures, information that should be disclosed is made public in a timely manner.

Furthermore, we are working on awareness and enlightenment for employees as part of our daily operations. Regarding the management's policy on timely information disclosure and the items of disclosed information, we are continuously educating through the president's daily instructions, hierarchical training sessions, meetings, etc., and making them widely known by posting on the internal network (groupware) along with measures to prevent insider trading.





END