

The state of corporate governance of NIKKON Holdings Co., Ltd. (“the Company”) is described below.

I. Basic Approach to Corporate Governance, Capital Structure, Corporate Attributes, and Other Basic Information

1. Fundamental Views

The Company seeks enhancement of corporate value over the medium to long terms, based on the NIKKON Holdings Group Basic Philosophy. Basic Philosophy: We will contribute to the prosperity of our customers, shareholders, employees, and society by leading the way in creating common joy, relatable values, and co-existent environment through business logistics based on a global perspective.

To ensure corporate governance functions effectively for the realization of this philosophy, the Company is developing and strengthening the organizational structure and endeavoring to ensure the transparency of corporate activities, and it intends to fulfil its corporate responsibilities to all stakeholders including customers and shareholders and contribute to the development of society.

[Reasons for Non-compliance with Principles of Japan’s Corporate Governance Code]

The Company implements all of the principles of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code] Updated

[Principle 1-4 Cross-Shareholdings]

(1) Policy for cross-shareholdings

The Company believes that long-term partnerships are essential for the stable continuation of the logistics business. The Company has a basic policy of holding shares of other companies as cross-shareholdings if they will help enhance its corporate value through stronger mutual cooperation including the maintenance and strengthening of business alliances and transactions.

(2) Verifying the appropriateness of cross-shareholdings

The Company reviews cross-shareholdings at meetings of the Board of Directors, taking into consideration their effectiveness in enhancing corporate value, and will reduce in an appropriate and timely manner any cross-shareholdings that are not deemed to contribute to the Company’s sustainable growth or enhancement of its corporate value in the medium and long terms. The number of stocks held as cross-shareholdings was 25 stocks as of the end of March 2021 but this number was reduced to 14 stocks as of the end of March 2024.

Of the total book value of cross-shareholdings of 28.6 billion yen, Honda Motor Co., Ltd., which has been a strategic partner since the Company’s foundation and with which the Company also shares management plans and exchanges human resources, accounts for 19.9 billion yen; however, these cross-held shares are considered differently from other cross-held shares, and the Company currently has no plans to sell them because they have more than enough strategic significance. The book value of the Company cross-shareholdings is equivalent to 11.6% of its net assets. If the cross-held shares of Honda Motor Co., Ltd. are excluded, cross-shareholdings account for 3.6% of net assets.

(3) Standards for the exercise of voting rights related to cross-shareholdings

Taking into account the significance of holding listed shares, the Company exercises its voting rights based on whether a proposal will contribute to sustainable growth and improvement of corporate value in the medium to long terms for both the Company and the investee company and based on consideration of other factors such as the status of compliance, including corporate fraud, and the status of ESG initiatives. The Company pays particular attention in cases where, for example, there is serious concern in relation to corporate governance, business performance has been poor for a long time, damaging shareholder value or shareholder value could otherwise be seriously damaged, and the Company makes a judgments through careful consideration on a case-by-case basis. The Company also has a system of monitoring the status of exercise of voting rights.

[Principle 1-7: Related Party Transactions]

(1) The Company stipulates in its Board of Directors’ Regulations with respect to resolutions on related party transactions including competing transactions involving directors that officers involved in the transaction shall be considered to have a special interest in the resolution and shall be excluded from the quorum required to pass the resolution. Approval for a matter which might pose a conflict of interests i.e. the implementation of a transaction with a corporation essentially controlled by an officer of the Company or a major shareholder as the Company’s customer shall be based on a resolution by the Board of Directors to ensure that the Company is not disadvantaged.

(2) Details of transaction terms and conditions and the policy for determining transaction terms and conditions are disclosed in the Notice of the Annual General Meeting of Shareholders, the Annual Securities Report, and other disclosures.

[Supplementary Principle 2-4-1: Ensuring Diversity in the Promotion of Core Human Resources, etc.]

(1) The Company has a policy to actively employing women, foreign nationals and mid-career professionals as much as possible to ensure the diversity of human resources within the company and to create the vitality that comes from diversity. The Company aims to achieve the use and

exchange of human resources and gender equality through diverse work styles and aims to be a company whose employees enjoy and take pride in their work.

(2) In initiatives for the empowerment of women, the Company is promoting the active participation of women by formulating career plans and providing in-house training and, under its Medium-Term Business Plan, has set a target of increasing the percentage of all employees that are women to 26.5% and the percentage of all managers that are women to 13.2%.

(3) Regarding the hiring of foreign nationals, the Company strives to secure talent regardless of nationality. The Company has hosted more than 200 technical intern trainees to date. After around three years of practical training consisting mainly of warehouse operations, the Company has trainees use the skills they acquired in their home countries, with some being hired by the Company's overseas subsidiaries. However, despite the high demand for drivers, the Company has not yet hired foreign nationals as drivers because of the difficulties involved in terms of working visas and various regulations.

(4) As for mid-career hires, the Company is always striving to secure work-ready professionals, and mid-career hires and graduate hires are also treated equally when it comes to promotions, transfers, appointments, etc. In fact, the percentage of graduate hires and the percentage of mid-career hires are roughly the same and the Company plans to maintain the percentage of mid-career hires in management positions at the same level going forward.

(5) In terms of policies for human resource development and internal environment development to ensure diversity, the Company is committed to developing a work environment in which its employees remain highly motivated and experience job satisfaction, amid the labor shortage surrounding the industry and the increasing diversification of values regarding work styles. In FY2021, the Company introduced an employment extension system, extending employment to the age of 65 and providing support to enable individual employees to continue working on a new career path.

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

(1) Since the contract-type corporate pension plans used by the Company's main domestic subsidiaries aim to manage corporate pension funds properly, specialists determine the policy of managing pension assets and manage and monitor investment.

(2) Regarding the management of pension assets, guidelines for safe and efficient asset management are established and pension assets are managed properly.

(3) Reports on asset management status and stewardship activities are received periodically from asset management organizations entrusted with asset management to ensure that no conflicts of interests arise between the corporate pension beneficiaries and the companies.

(4) NIPPON KONPO UNYU SOKO CO., LTD., a core company in the NIKKON Holdings Group, and some other Group companies have established defined contribution pension plans, the applicable parts of which have no impact on financial standing. Efforts are made to educate employees about the defined contribution pension plans through the provision of product performance data and reports and the organization of in-house seminars.

[Principle 3-1: Full Disclosure]

(1) The Company will strive to ensure that shareholders and other stakeholders are provided with specific and transparent information.

(i) Information about the Company's aims and management strategies, etc. are disclosed on the Company's website.

Basic Principle: <https://www.nikkon-hd.co.jp/about/philosophy/>

Medium-Term Business Plan: <https://www.nikkon-hd.co.jp/about/philosophy/>

Financial Results Meeting Materials: <https://www.nikkon-hd.co.jp/en/ir/library/presentation/>

Business Report: https://www.nikkon-hd.co.jp/en/ir/library/report_business/

(ii) Information about corporate governance is disclosed on the Company's website.

Basic Approach to Corporate Governance: <https://www.nikkon-hd.co.jp/en/ir/governance/guidelines/>

(iii) Policies and procedures for determining remuneration for Directors

The Company has established a voluntary Remuneration Committee as an advisory body to the Board of Directors, to ensure transparency and fairness in the process of making decisions on officers' remuneration. The Remuneration Committee is chaired by an outside director and deliberates and makes proposals to the Board of Directors on remuneration levels for directors and executive officers and various systems related to evaluation and remuneration. Remuneration for directors is determined within a maximum amount of remuneration resolved at the Company's Annual General Meeting of Shareholders. In addition, remuneration for directors is determined by the Board of Directors based on the opinion of the Remuneration Committee, which is chaired by an outside director.

(iv) Policies and procedures for the appointment and dismissal of directors and nomination of director candidates

The Company has established a voluntary Nomination Committee as an advisory body to the Board of Directors, to ensure transparency and fairness in the process of making decisions on the nomination of director candidates. The Nomination Committee is chaired by an outside director and, in addition to deliberating on and proposing criteria and methods for appointing candidates, the committee deliberates on proposals for the appointment of candidates and reports the results of its deliberations to the Board of Directors.

When nominating candidates, the Company selects individuals who, in light of their skills, career and evaluation results, are suitably qualified to be Directors of the Company, and proposals are discussed by the Nomination Committee and decisions are made by the Board of Directors based on extensive deliberation.

The independence of outside directors is determined in accordance with the Company's criteria for judging independence of outside officers, and the Company believe that its outside directors are independent as they have no special personal relationship or capital relationship with the Company nor any other interest in it.

Regarding the dismissal of directors, etc., if upon comprehensive consideration of a wide range of factors including aptitude, management ability and any serious misconduct, a director's execution of duties is deemed unsatisfactory, the Board of Directors refers the matter to the voluntary Nomination Committee for discussion and then the Board of Directors makes a decision based on the report of the Nomination Committee.

(v) Explanations on the appointment of individual director candidates and the dismissal of individual directors

The reasons for appointment of all director candidates, including outside director candidates, or the dismissal of directors are disclosed in the Notice of the Annual General Meeting of Shareholders.

[Supplementary Principle 3-1-3: Initiatives on Sustainability]

(1) The Company sees the realization of a sustainable society as a top priority and is working to collaborate with a wide range of stakeholders, actively disclose information and improve transparency. See the Company's website for information about our views, policies and initiatives for sustainability.

(<https://www.nikkon-hd.co.jp/en/sustainability/>)

(2) The Company has established a Sustainability Committee chaired by an outside director as an advisory body to the Board of Directors, and monitors the status of execution of ESG activities. The Company hold multi-faceted discussions on important themes at a Board of Directors level,

striving for enhancement of corporate value in the long term. In addition, the ESG Promotion Office, which is the unit responsible for the execution of ESG activities, works with the Company's Corporate Planning Department, Legal Affairs Department, Accounting Department, and Group Administration Department as well as Group companies to identify themes to be addressed through business activities and material issues, and guides and monitors from a management perspective the active implementation of concrete initiatives to bring about improvement in areas such as action on climate change and action on human rights.

(3) Regarding ESG-related controls, targets and progress, ESG data is disclosed on the Company's website. Meanwhile, in terms of investment in human capital, the Company established the HR Supervisory Department in January 2023, and is focusing on securing human resources and strengthening training and development as a key strategy under the Medium-term Business Plan.

<Information disclosure regarding climate change>

Information disclosure based on the TCFD recommendations:

https://www.nikkon-hd.co.jp/assets/images/sustainability/management/e_tcf_disclosure.pdf

Sustainability management: <https://www.nikkon-hd.co.jp/en/sustainability/management/>

ESG data: <https://www.nikkon-hd.co.jp/en/sustainability/esg/>

<Disclosure of information on human capital>

Efforts for safety and quality: <https://www.nikkon-hd.co.jp/en/sustainability/safety/>

With employees: <https://www.nikkon-hd.co.jp/en/sustainability/employee/>

[Supplementary Principle 4-1-1: Clarification of Scope of Matters Delegated by the Board of Directors to Management]

(1) The Board of Directors deliberates on and resolves basic policies and matters of utmost importance for Group management. In addition to the provisions of laws and regulations and the Articles of Incorporation, the Company establishes Board of Directors' Regulations stipulating management policies, management plans, financial results-related matters, shares and shareholders' meeting-related matters and important decisions related to directors, organizations and personnel affairs as matters to be resolved by the Board of Directors.

(2) The Board of Directors also periodically receives reports from each executive director on the execution of their duties and reports from its various committees and supervises the execution of duties.

(3) The decision-making process (decision-making authority) for matters delegated by the Board of Directors is stipulated in the Ringi System Regulations.

[Principle 4-9: Criteria and Qualifications for Determining the Independence of Independent Outside Directors]

(1) The Company selects candidates for independent outside director based on the Company's own criteria and through deliberation and consideration by the Board of Directors.

(2) Furthermore, in regard to the Company's independent outside directors, the Company believes that it can further strengthen its management structure by giving officers who meet the independence criteria stipulated by the Tokyo Stock Exchange a full understanding of the Group's business and management environment and corporate philosophy and receiving from them impartial, fair and appropriate guidance and advice on the Company's management based on their honest character and broad insight and experience and it judges an officer who does not fall under any of the following as independent.

1. An executive of a major business partner* of the Group or an executive of a company for which the Group is a major business partner
2. An executive of a lender of the Group whose loan amount to the Company exceeds 2% of the Company's consolidated total assets as of the end of the most recent fiscal year
3. A major shareholder of the Company who holds a stake in the Company of 10% or more or an executive of a major shareholder or investor (ranked in the top 10), either currently or at any point in the most recent three fiscal years
4. A consultant, accounting specialist or legal specialist who during the most recent three fiscal years received from the Company average annual compensation exceeding 100 million yen
5. Any person who has fallen under any of the categories 1. to 4. above in the last five years
6. A spouse or relative within two degrees of kinship of a director, etc. of the Company or a consolidated subsidiary
7. A person whose total period of employment at the Company exceeds eight years

*The term 'major business partner' refers to a business partner of the Group whereby the annual transactions between such business partner and the Group during the most recent three fiscal years amount to more than 2% of the consolidated net sales of the Company or the consolidated net sales of the business partner.

[Supplementary Principle 4-10-1: Disclosure of Independence, Authority, Role, etc. of Advisory Committees Related to Nomination or Remuneration]

(1) The Company has established a voluntary Nomination Committee and Remuneration Committee comprised of a majority of independent outside directors, to enhance objectiveness and transparency in the process of making decisions on the personnel matters of senior managers who play a role in the company's sustainable growth and building trust and directors' remuneration, etc. and to further enhance and strengthen the management and governance structure.

(2) When considering particularly important matters such as nomination and remuneration, the Company has received appropriate involvement and advice from these committees, including perspectives on gender diversity and skills.

[Supplementary Principle 4-11-1: View on the Appropriate Balance between Knowledge, Experience, and Skills of the Board of Directors as a Whole, and on Diversity and Appropriate Board Size]

(1) The Company has prepared a skills matrix to ensure that the Board of Directors is made up of individuals with expertise and extensive experience in various fields including management, finance, legal affairs, internationalism and the logistics business and that it has a good balance of skills in light of the Company's management strategies. Diversity in terms of gender and age, etc. is also taken into consideration.

(2) By appointing individuals with management experience at other companies and individuals with expertise in finance, accounting and legal affairs as independent outside directors, the Company aims to maintain a balance of expertise, ensuring that the Board of Directors does not lack the expertise it needs.

(3) The skills matrix and policies on the appoint of directors, etc. are disclosed on the Company's website.

(https://www.nikkon-hd.co.jp/company/board_member/)

[Supplementary Principle 4-11-2: Concurrent Posts of Directors as Officers at Other Listed Companies]

(1) Concurrent posts of the Company's outside directors at other companies are disclosed every year through the Notice of the Annual General Meeting of Shareholders, the Annual Securities Report, and the Corporate Governance Report, etc.

(2) None of the Company's directors including its outside directors concurrently serves as an officer at another listed company outside the Group, enabling them to devote themselves entirely to their duties as director of the Company.

[Supplementary Principle 4-11-3: Analyzing and Assessing the Effectiveness of the Board of Directors]

(1) Every year, all the Company's directors conduct an analysis and self-assessment of the effectiveness of the Board of Directors and this analysis and evaluation are used as a basis for making necessary improvements.

(2) The results of the evaluation of the effectiveness of the Board of Directors are published on the Company's website.

(<https://contents.xj-storage.jp/xcontents/AS06210/f03560c3/7b63/447c/8fc0/8e7289ea8d2b/140120220513545767.pdf>) In terms of the assessment method, in the fiscal year ended March 31, 2023, the survey and analysis were conducted by a third-party organization.

[Supplementary Principle 4-14-2: Training Policy for Directors]

(1) Regarding training for directors, directors receive guidance in areas such as financial management, internal controls, and legal knowledge in training for newly appointed directors.

(2) The Company also provides training as and when necessary through the provision of training opportunities to acquire and update knowledge as required for the fulfilment of responsibilities or duties and the provision of information needed to supervise management.

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

(1) As for management policies and initiatives for sustainable growth and enhancement of corporate value in the medium and long terms, the Company's basic policy is to provide appropriate information in a timely manner and to engage in constructive dialogue with stakeholders through the reflection of shareholder feedback in management, etc.

(2) The Company's president, the director in charge of finance, the executive officer in charge of IR, etc. engage in constructive dialogue to build trust based relationships with shareholders.

(3) The Company holds a financial result and ESG briefing for shareholders and investors semi-annually to contribute to the Company's sustainable growth and enhancement of its corporate value in the medium and long terms, and it also organizes an office visit once a year and briefings for individual investors on an irregular basis.

(4) In addition to establishing and complying with its own Insider Trading Prevention Regulations, the Company also has a quiet period starting from the closing date of each quarter and ending on the day it announces its results and enforces this among its officers and employees.

2. Capital Structure

Percentage of Foreign Shareholders	30% or more
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[Status of Major Shareholders] [Updated]

Name	Number of Shares Owned (Shares)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (trust account)	8,320,800	13.18
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	3,196,900	5.06
GOLDMAN, SACHS & CO.REG	2,968,607	4.70
Kuroiwakai	2,560,276	4.05
Honda Motor Co., Ltd.	2,449,208	3.88
Custody Bank of Japan, Ltd. (Trust Account)	2,347,000	3.71
Isuzu Motors Limited	1,692,985	2.68
Hino Motors, Ltd.	1,494,178	2.36
NORTHERN TRUST CO. (AVFC) RE U.S.TAX EXEMPTED PENSION FUNDS	1,454,400	2.30
BNYM SA/NV FOR BNYM FOR BNYM GCM CLIENT ACCTS ILM FE	1,412,378	2.23

Controlling Shareholder (except for Parent Company)	_____
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Parent Company	None
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Supplementary Explanations

The above information about the Status of Major Shareholders is as of March 31, 2024.

The percentage of the number of shares owned to the total number of shares issued and outstanding is calculated after deduction of treasury shares.

3. Corporate Attributes

Listed Exchange and Market Division	Tokyo Stock Exchange, Prime Market
Fiscal Period	March
Type of Business	Land transportation
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	At least 1,000
Revenue (Consolidated) for the Previous Fiscal Year	100 billion yen or more, but less than 1 trillion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	50 companies or more but less than 100 companies

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

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

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

1. Organizational Composition and Operation

Organization Form	Company with an Audit and Supervisory Committee
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board of Directors	President
Number of Directors	10
Appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of Independent Officers Designated from among Outside Directors	4

Relationship with the Company (1) Updated

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Aiko Koma	Attorney												
Ryutaro Ozeki	From another company												
Kanako Takeda	Tax accountant												
Tetsuya Okuda	Other												

* Categories for Relationship with the Company

* “○” indicates that the director currently falls under the category, or did so recently, and “△” indicates that the director fell under the category in the past.

“●” indicates that a close relation falls under the category, or did so recently, and “▲” indicates that a close relation fell under the category in the past.

a Executive (a person who executes business; hereinafter the same) of the Company or its subsidiaries

b Non-executive director or executive of a parent company of the Company

c Executive of a fellow subsidiary of the Company

d A party whose major client or supplier is the Company or an executive thereof

e Major client or supplier of the Company or an executive thereof

f Consultant, accountant or legal professional who receives significant amounts of monetary consideration or other property from the Company other than remuneration as an officer

g Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a corporation)

h Executive of a client or supplier of the Company (which does not correspond to any of d., e., or f.) (the director himself/herself only)

i Executive of a company, between which and the Company’s Outside Officers are mutually appointed (the director himself/herself only)

j Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k Others

Name	Audit and Supervisory Committee	Independent Officer	Supplementary explanation of the relationship	Reasons for Appointment
Aiko Koma		○	-----	<p>Ms. Aiko Koma has a wealth of experience and insight as a lawyer and is suited to execute supervision of management with independence from an objective viewpoint that considers overall corporate society, including laws and regulations, without being bound by the Company's reasoning. Based upon the above, the Company judged that she would help improve transparency of the Board of Directors and strengthen the supervisory functions, and appointed her as Outside Director.</p> <p>Ms. Aiko Koma also meets the Company's criteria for judging independence of Outside Officers, and the Company reported her as an Independent Officer to the Tokyo Stock Exchange based on the judgment that she can fulfil the role of protecting the interests of general shareholders as an Independent Officer.</p>
Ryutaro Ozeki		○	-----	<p>The Company expected that Mr. Ryutaro Ozeki would provide good advice on the management of the Company by utilizing his wealth of experience and broad insight as a corporate manager, and that he would supervise management with independence from an objective viewpoint, without being bound by the Company's reasoning. The Company judged that he would help improve transparency of the Board of Directors and strengthen the supervisory functions, and appointed him as Outside Director.</p> <p>Mr. Ryutaro Ozeki also meets the Company's criteria for judging independence of Outside Officers, and the Company reported him as an Independent Officer to the Tokyo Stock Exchange based on the judgment that he can fulfil the role of protecting the interests of general shareholders as an Independent Officer.</p>
Kanako Takeda	○	○	-----	<p>Ms. Kanako Takeda has a wealth of experience and expertise as a tax accountant and is very knowledgeable about corporate accounting. The Company judged that she would be able to use this experience to carry out audits and supervision of the Company's management in general from an objective, broad-ranging and advanced standpoint, and appointed her as Outside Director serving as an Audit and Supervisory Committee Member.</p> <p>Ms. Kanako Takeda also meets the Company's criteria for judging independence of Outside Officers, and the Company reported her as an Independent Officer to the Tokyo Stock Exchange based on the judgment that she can fulfil the role of protecting the interests of general shareholders as an Independent Officer.</p>
Tetsuya Okuda	○	○	-----	<p>Mr. Tetsuya Okuda has experience and insight gained from his involvement in transport administration for many years. The Company judged that he would be able to use this experience to carry out audits and supervision of the Company's management in general from an objective, broad-ranging and advanced standpoint, and appointed him as Outside Director serving as an Audit and Supervisory Committee Member.</p> <p>Mr. Tetsuya Okuda also meets the Company's criteria for judging independence of Outside Officers, and the Company reported him as an Independent Officer to the Tokyo Stock Exchange based on the judgment that he can fulfil the role of protecting the interests of general shareholders as an Independent Officer.</p>

[Audit and Supervisory Committee]

Member Composition and Chairperson's Attribute

	All Committee Members	Full-time Members	Internal Directors (Persons)	Outside Directors (Persons)	Chairperson
Audit and Supervisory Committee	3	1	1	2	Outside Directors
Directors or Employees Responsible for Assisting the Audit and Supervisory Committee in Fulfilling Its Duties	Yes				

Matters concerning the Independence of such Directors or Employees from Executive Directors

1. The Company shall assign the employees ("assisting employees") which the Audit and Supervisory Committee needs to execute its duties.
2. Assisting employees shall, insofar as they are assisting the duties of the Audit and Supervisory Committee, be under the command of Directors who are Audit and Supervisory Committee Members.
3. The Company shall obtain the prior consent of the Audit and Supervisory Committee regarding personnel changes, personnel evaluations and disciplinary action concerning assisting employees.
4. Directors (who are not Audit and Supervisory Committee Members) shall not unfairly restrict the command of Directors who are Audit and Supervisory Committee Members over assisting employees.

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

Outside Directors serving as Audit and Supervisory Committee Members actively endeavor to obtain the information necessary for audits to further increase the independence and neutrality of the system for audits, etc. , and they are communicated information obtained at important internal meetings by the standing Audit and Supervisory Committee Member, information such as internal audit reports by the Group Business Audit Department, which is the internal audit division, and information on the status of audits and the status of internal controls by the Accounting Auditor at Audit and Supervisory Committee Meetings and they share this information with all Audit and Supervisory Committee Members.

[Voluntary Committees]

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee

Yes

Voluntary Establishment of Committee(s), Composition of Committee Members and Attributes of Committee Chairpersons

	Committee's Name	All Committee Members	Full-time Members (Persons)	Internal Directors (Persons)	Outside Directors (Persons)	Outside Experts (Persons)	Others (Persons)	Chairperson
Voluntary Committee Corresponding to a Nomination Committee	Nomination Committee	3	0	1	2	0	0	Outside Directors
Committee Corresponding to Remuneration Committee	Remuneration Committee	3	0	1	2	0	0	Outside Directors

Supplementary Explanations

The Company has established a voluntary Nomination Committee and Remuneration Committee comprised of a majority of Outside Directors, to enhance objectiveness and transparency in the process of making decisions on the personnel matters of senior managers who play a role in the company's sustainable growth and building trust and directors' remuneration, etc. and to further enhance and strengthen the management and governance structure.

[Independent Officers]

Number of Independent Officers	4
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Matters Related to Independent Officers

The Company believes that it can further strengthen its management structure by giving officers who meet the independence criteria stipulated by the Tokyo Stock Exchange a full understanding of the Group's business and management environment and corporate philosophy and receiving from them impartial, fair and appropriate guidance and advice on the Company's management based on their honest character and broad insight and experience and it judges an officer who does not fall under any of the following as independent.

<Independence Standards for Outside Officers>

1. An executive of a major business partner*of the Group or an executive of a company for which the Group is a major business partner
2. An executive of a lender of the Group whose loan amount to the Company exceeds 2% of the Company's consolidated total assets as of the end of the most recent fiscal year
3. A major shareholder of the Company who holds a stake in the Company of 10% or more or an executive of a major shareholder or investor (ranked in the top 10), either currently or at any point in the most recent three fiscal years
4. A consultant, accounting specialist or legal specialist who during the most recent three fiscal years received from the Company average annual compensation exceeding 10 million yen
5. Any person who has fallen under any of the categories 1. to 4. above in the last five years
6. A spouse or relative within two degrees of kinship of a director, etc. of the Company or a consolidated subsidiary
7. A person whose total period of employment at the Company exceeds eight years

*The term 'major business partner' refers to a business partner of the Group whereby the annual transactions between such business partner and the Group during the most recent three fiscal years amount to more than 2% of the consolidated net sales of the Company or the consolidated net sales of the business partner.

[Incentives]

Implementation of Measures to Provide Incentives to Directors	Introduction of a Performance-linked Compensation System
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Supplementary Explanation

At the 80th Annual General Meeting of Shareholders held on June 29, 2021, the Company proposed introducing a performance-linked share-based remuneration scheme for the purpose of clarifying the link between compensation for the Company's directors (excluding Outside Directors and Directors serving as Audit and Supervisory Committee Members; the same applies hereinafter) and the Company's business performance and share price and sharing not only the benefits of a rise in the share price but also the risk of a fall in the share price with the shareholders, thereby raising awareness of the need to contribute to improving performance and increasing corporate value over the medium to long term. This resolution proposal was passed.

The initial trust period was set at two years, and the Company will contribute money of up to 80 million yen during this trust period as funds for the acquisition of the Company's shares required for delivery to Directors. The trust will use the money contributed by the Company to fund acquisition of the Company's shares through the disposition of treasury shares or acquisition via an exchange market. The Company will, pursuant to the stock granting rules established by its Board of Directors, grant points to each Director according to their position and degree of achievement of performance targets, etc. on the point grant date during the trust period stipulated in the stock granting rules. However, the total number of points granted by the Company to Directors shall not exceed 27,000 points per fiscal year (1 point = 1 share).

In principle, the Company's shares will be granted to the Directors when they retire from office. The Company resolved at a meeting of the Board of Directors held on June 2, 2023 to renew the scheme by extending the trust period until the end of August 2026.

Recipients of Stock Options	
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Supplementary Explanation

[Remuneration for Directors]

Disclosure of Individual Directors' Remuneration

No individual disclosure

Supplementary Explanation

The Company discloses the maximum amount of remuneration (per year) paid to Directors (excluding Directors serving as Audit and Supervisory Committee Members) and the maximum amount of remuneration (per year) paid to Directors serving as Audit and Supervisory Committee Members.

Policy on Determining Remuneration Amounts and Calculation Methods

Yes

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

1. Basic Policy

The basic policy is that remuneration for the Company's Directors shall be the kind of remuneration system that fully functions as an incentive for the sustained enhancement of the corporate value and shall be set at an appropriate level in light of the job responsibilities of individual Directors when determining remuneration for them.

Remuneration for the Company's Directors consists of fixed remuneration and officers' bonuses and stock-based remuneration, which are performance-linked remuneration. However, Outside Directors and Directors serving as Audit and Supervisory Committee Members receive only fixed remuneration.

2. Policy for determining the amount of fixed remuneration (monetary remuneration) for individual Directors (including the policy for determining the time or conditions for giving remuneration, etc.)

- (1) Fixed remuneration for Directors of the Company consists of monthly remuneration.
- (2) Salary details and allocation of amounts are clarified based on full-time or part-time status.
- (3) Monthly fixed remuneration for Directors (excluding Outside Directors) whose monthly fixed remuneration has not been revised for more than two years is determined, taking the inflation rate into consideration.

3. Policy for determining details and amounts of performance-linked remuneration and non-cash remuneration and determining their calculation methods (including the policy for determining the time or conditions for giving remuneration)

The Company uses profit attributable to owners of parent, which will be used to fund future investments and shareholder returns, as the indicator for officers' bonuses, which are performance-linked remuneration. Bonus allocations are made after the conclusion of the General Meeting of Shareholders, using a certain percentage as a rough guide.

The Company has established a performance-linked stock-based remuneration scheme using a Board Benefit Trust as non-monetary remuneration. Under the scheme, the Company grants shares equivalent to points calculated according to factors such as position and the extent of achievement of the Medium-term Business Plan target for profit attributable to owners of parent each fiscal year as determined by the Board of Directors. The purpose of the scheme is to raise awareness of the need to contribute to improving performance and increasing corporate value over the medium to long term.

4. Policy for determining the ratio of the amount of cash compensation, performance-linked remuneration or non-cash remuneration to the amount of remuneration for individual Directors

The percentages of each of type of remuneration for Directors (excluding Outside Directors and Directors serving as Audit and Supervisory Committee Members) are determined by benchmarking companies that are of a comparable size or belong to the same industry/business, and the remuneration of more senior executives is weighted towards performance-linked remuneration and share-based remuneration.

5. Matters concerning decisions on the details of the remuneration paid individually to Directors

At the 77th Annual General Meeting of Shareholders held on June 20, 2018, it was resolved to set the maximum amount of remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members) at 300 million yen per year (including the maximum amount for Outside Directors of 24 million yen per year; this includes performance-linked remuneration and excludes the employee salary portion paid to Directors who serve concurrently as employees).

In addition, at the 80th Annual General Meeting of Shareholders held on June 29, 2021, it was resolved to introduce a performance-linked stock-based remuneration scheme using a Board Benefit Trust for Directors (excluding Outside Directors and Directors serving as Audit and Supervisory Committee members), with 27,000 points (1 point = 1 share) and 40 million yen per fiscal year set as the upper limits respectively, outside the framework of the abovementioned amounts.

At the 77th Annual General Meeting of Shareholders held on June 28, 2018, it was resolved to set the maximum amount of remuneration for Directors serving as Audit and Supervisory Committee Members at 72 million yen per year, and the amount of remuneration for individual Directors serving as Audit and Supervisory Committee Members is decided through discussion among Audit and Supervisory Committee Members.

The Company resolved at a meeting of the Board of Directors held on January 10, 2020 to establish a Remuneration Committee as an advisory body to the Board of Directors. The Remuneration Committee consists of three or more members and is chaired by an independent outside director. A majority of the members are independent outside directors. Starting from the fiscal year commencing April 1, 2020, the remuneration for individual directors of the Company is determined by resolution of the Board of Directors following discussion in the voluntary Remuneration Committee based on the Board of Directors' request for advice.

[Supporting System for Outside Directors]

The General Affairs Department, which serves as the secretariat for the Board of Directors, provides support to outside directors. Meanwhile, Audit and Supervisory Committee Members are also provided with support by the Group Business Audit Department.

[Situation of Retired President and Others]

Names, etc. of Counselors, Advisors and Others who are Retired President and Others

Name	Job title/position	Operation	Employment terms (Full/part time, with/without compensation, etc.)	Date of retirement	Term
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Total Number of Counselors, Advisors and
Others who are Retired President and
Others

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Others

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) **[Updated]**

The Company as a Board of Directors, Audit and Supervisory Committee and Accounting Auditors as business management organizations. The Company has also developed a corporate governance framework through the introduction of an executive officer system and the establishment of an internal audit department.

The Company transitioned to a company with an audit and supervisory committee based on a resolution of the Annual General Meeting of Shareholders held on June 28, 2018, in order to strengthen the supervisory function of the Board of Directors and to speed up decision-making, better meet the requirement of the Corporate Governance Code, and achieve further enhancement of corporate value.

The Board of Directors is composed of 10 Directors (including four Outside Directors), and the Company holds monthly ordinary Board of Directors' meetings for the purpose of approving material matters, monthly Management Strategy Council meetings for the purpose of speeding up material decision-making, and monthly Executive Officer meetings mainly for the purpose of reporting and exchanging information, thereby adopting a structure which enables strengthening of the oversight function, expansion of matters deliberated and reported, and flexible decision-making. The Company has also adopted the Executive officer System to separate the business execution function from the management decision-making and oversight function, speed up decision-making and clarify responsibility for business execution, and increase management efficiency, and also to strengthen corporate governance.

The Audit and Supervisory Committee is composed of three Audit and Supervisory Board Members (including two Outside Directors) and the Company holds Audit and Supervisory Committee meetings and meetings of Audit and Supervisory Committee Members and seeks to strengthen their independence and functions, thereby adopting an audit structure in accordance with the Audit and Supervisory Committee Rules, the Audit and Supervisory Committee Audit Standards, and the Audit and Supervisory Committee Auditing Standards for Internal Control System. The Company also adopts a structure which allows Audit and Supervisory Committee Members to adequately monitor Directors' performance of duties through attendance at Board of Directors' meetings and other important meetings, individual interviews with Directors, division managers and other relevant persons, and business audits and reports of business sites in Japan and overseas.

From the viewpoint of checks by outside assessors, the Company has four outside directors who are responsible for oversight and supervision. The Company believes, therefore, that the objectivity and neutrality of its management oversight function is achieved, and that the effectiveness of corporate governance is ensured.

The Group Business Audit Office is in charge of conducting internal audits, and inspects and assesses whether organizational operations and business across all divisions is being conducted appropriately and efficiently in accordance with company policies, standards and procedures. Such inspections are onsite inspections, in principle, and relevant departments are also asked for their opinions where necessary. The Group Internal Audit Department also conducts follow-up activities to confirm whether improvements have been made to address any issues identified and endeavors to conduct proper internal audits.

Regarding the accounting auditor, the Company has concluded an audit agreement for audits required under the Companies Act and Financial Instruments and Exchange Act with KPMG AZSA LLC Japan, and pays fees under this agreement for audits received. The names of certified public accountants who carry out operations during the fiscal year and the composition of the team of assistants for audit work is as follows.

Names of certified public accountants who execute operations

Designated limited liability employee and Executive Member: Yoshiaki Uesaka, Mako Tasaka

Composition of team of assistants aiding in audit operations

9 certified public accountants, 6 assistants with accountant qualifications, and 23 other assistants

There is no special interest that must be mentioned pursuant to the provisions of the Certified Public Accountants Act between the Company and KPMG AZSA LLC Japan or its engagement partners.

3. Reasons for Adoption of Current Corporate Governance System

From the viewpoint of checks by outside assessors, the Company has four outside directors who are responsible for oversight and supervision. The Company believes, therefore, that the objectivity and neutrality of its management oversight function is achieved, and that the effectiveness of corporate governance is ensured.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanations
Early Notification of General Meeting of Shareholders	The Company endeavors to be able to dispatch notices with at least a week's more notice than the legally required period of notice (at least three weeks before the date of the meeting of shareholders).
Allowing Electronic Exercise of Voting Rights	Since the 75th Annual General Meeting of Shareholders held on June 29, 2016, the Company has enabled shareholders to exercise their voting rights via the Internet.
Participation in Electronic Voting Platform and Other Initiatives to Enhance the Environment for Institutional Investors to Exercise Their Voting Rights	As of the 75th General Meeting of Shareholders held on June 29, 2016, the Company began to participate in the Electronic Voting Platform.
Providing Convocation Notice in English	Starting from the 75th Annual General Meeting of Shareholders held on June 29, 2016, the Company has participated in the Electronic Voting Platform and provided an abridged English translation of the Japanese version of the notice of the meeting and reference documents for the general meeting of shareholders.
Others	Notices of meetings (including English translations) and notices of resolutions are posted on the Company's website.

2. IR Activities

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	The Company's IR Policy is published on the Company's website. In addition, the Company has established Information Disclosure Regulations for the Company's information disclosures based on the IR Policy.	
Regular Investor Briefings for Individual Investors	The Company has held company briefings for individual investors hosted by securities companies, etc. as and when necessary since 2010.	None
Regular Investor Briefings for Analysts and Institutional Investors	The Company began holding briefings for institutional investors from May 2012 and holds a briefing every half year.	Yes
Posting of IR Materials on Website	Financial information such as summaries of consolidated financial results and business reports, timely disclosures, the share price and other IR materials are disclosed as appropriate on the Company's website.	
Establishment of Department and/or Manager in Charge of IR	The Stock Section of the General Affairs Department is in charge of IR.	
Others	Visits are also made to institutional investors to explain financial results to them.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Provisions on Respecting the Position of Stakeholders in Internal Regulations, etc.	The Company has established the NIKKON Holdings Group's Basic Policies and the NIKKON Holdings Group Code of Conduct.
Implementation of Environmental Activities, CSR Activities, etc.	The Company has established the NIKKON Holdings Group Code of Conduct, and implements CSR and environmental initiatives on a groupwide basis. In environmental initiatives, the Company has introduced solar power generation and 21m full trailer trucks, and is also promoting modal shift and eco-driving.
Development of Policies on Information Provision to Stakeholders	The Company stipulates in its IR policy that it will make timely, fair and accurate disclosure of information to all stakeholders.

IV. Matters Related to the Internal Control System

1. Fundamental Views on Internal Control System and the Progress of System Development

NIKKON Holdings Co., Ltd. (the “Company”) has established a Basic Policy on Establishment of Internal Control Systems as set out below based on the Companies Act and Ordinance for Enforcement of the Companies Act to ensure appropriate business operations at the Company and its subsidiaries (the “NIKKON Holdings Group”), and shall seek to develop and endeavor to maintain the structure necessary to establish such systems.

1. Matters regarding employees assisting with the duties of the Audit and Supervisory Committee (Ordinance for Enforcement of the Companies Act Article 110-4, Paragraph (1), Item (1))

The Company shall assign the employees (“assisting employees”) which the Audit and Supervisory Committee needs to execute its duties.

2. Matters regarding the independence of assisting employees from Directors (who are not Audit and Supervisory Committee Members) (Ordinance for Enforcement of the Companies Act Article 110-4, Paragraph (1), Item (2))

(1) Assisting employees shall, insofar as they are assisting the duties of the Audit and Supervisory Committee, be under the command of Directors who are Audit and Supervisory Committee Members.

(2) The Company shall obtain the prior consent of the Audit and Supervisory Committee regarding personnel changes, personnel evaluations and disciplinary action concerning assisting employees.

3. Matters concerning securing the effectiveness of instructions to employees assisting the Audit and Supervisory Committee (Ordinance for Enforcement of the Companies Act Article 110-4, Paragraph (1), Item (3))

Directors (who are not Audit and Supervisory Committee Members) shall not unfairly restrict the command of Directors who are Audit and Supervisory Committee Members over assisting employees.

4. System for reporting by Directors (who are not Audit and Supervisory Committee Members), employees and others to Directors who are Audit and Supervisory Committee Members and other systems concerning reporting to the Audit and Supervisory Committee (Ordinance for Enforcement of the Companies Act Article 110-4, Paragraph (1), Item (4))

(1) Directors who are Audit and Supervisory Committee Members may attend meetings of the Management Strategy Council and other important council or committee meetings or report meetings in addition to Board of Directors’ meetings to hear about and gain an understanding of the process for making material decisions and the status of business execution, and may ask for explanations or view relevant materials where necessary.

(2) Matters to be reported on a regular basis to Directors who are Audit and Supervisory Committee Members (includes Group companies)

i Management and business execution status and financial status

ii Results of internal audits conducted by internal audit division (includes status of internal control systems)

iii Risks and risk management status

iv Compliance status (accidents, fraud, complaints, problems), etc.

(3) Matters to be reported on an ad hoc basis to Directors who are Audit and Supervisory Committee Members (includes Group companies)

i Facts which might cause serious detriment or damage to the company, undermine trust in the company or affect its business results

ii Fraudulent conduct or serious violations of laws or regulations or the Articles of Incorporation in connection with the performance of duties by Directors (who are not Audit and Supervisory Committee Members)

iii Facts reported under the whistleblowing system

iv Results of inspection by regulatory authority or external audit

v Administrative disposition imposed by regulatory authority

vi Change of important accounting policy, enactment (amendment or abolishment) of accounting standard, etc.,

vii Information contained in announcements of business results or business result forecasts or other important disclosures, etc.

viii Serious violations of internal rules, regulations, standards, etc.

ix Other matters on which Directors who are Audit and Supervisory Committee Members and Audit and Supervisory Committee Members request reports as necessary

5. System for preventing the party submitting the report in the preceding section from being unfairly treated because of the report (Ordinance for Enforcement of the Companies Act Article 110-4, Paragraph (1), Item (5))

The Company shall obtain the prior consent of the Audit and Supervisory Committee in connection with personnel changes, personnel evaluations and disciplinary action concerning Directors and employees of NIKKON Holdings Group who submitted reports provided for in the preceding section to the Audit and Supervisory Committee. (Ordinance for Enforcement of the Companies Act Article 110-4, Paragraph (1), Item (5))

6. Matters regarding policy on handling advance payment or reimbursement of expenses resulting from execution of duties by Directors (only expenses related to the execution of duties of the Audit and Supervisory Committee) or other expenses or debts arising from said execution of duties (Ordinance for Enforcement of the Companies Act Article 110-4, Paragraph (1), Item (6))

The Company shall make prompt payment upon request for the advance payment or reimbursement of expenses resulting from execution of duties by the Audit and Supervisory Committee.

7. Other systems to ensure effective auditing by the Audit and Supervisory Committee (Ordinance for Enforcement of the Companies Act Article 110-4, Paragraph (1), Item (7))

(1) The Representative Director shall have meetings with Directors who are Audit and Supervisory Committee Members on a regular basis to explain the Company’s management policies and shall also exchange opinions with them on the issues the company needs to address and the risks surrounding the company as well as the status of development of the environment for audits by Directors who are Audit and Supervisory Committee Members and major audit-related issues, endeavoring to increase mutual understanding and trust between the Representative Directors and the Audit and Supervisory Committee.

(2) Directors (who are not Audit and Supervisory Committee Members) shall develop an internal audit division structure and environment to ensure that, when inspecting the status of company business and property and conducting other audit operations, Directors who are Audit and Supervisory Committee Members can have a close relationship with internal audit divisions and conduct efficient audits.

(3) Directors (who are not Audit and Supervisory Committee Members) shall develop a structure and environment to ensure that Directors who are

Audit and Supervisory Committee Members can hold regular meetings with the accounting auditor and can also liaise closely with the accounting auditor, including attending site visits by the accounting auditor, and conduct efficient audits.

(4) Directors (who are not Audit and Supervisory Committee Members) shall develop a structure and environment to ensure that Directors who are Audit and Supervisory Committee Members can use outside experts (lawyers, certified public accountants, tax accountants, consultants and others) if necessary when conducting audits.

8. System to ensure that directors perform their duties in compliance with laws, regulations and the articles of incorporation (Companies Act Article 399-13 Paragraph (1), Item (1), first part of (c))

(1) Directors shall adhere to the NIKKON Holdings Group Basic Philosophy and the NIKKON Holdings Group Code of Conduct established by the Board of Directors and comply with laws, regulations and the articles of incorporation, and shall also focus on setting a good example and raising compliance awareness among employees to create a corporate culture for the conduct of business activities with a high level of ethics.

(2) The Company shall position compliance and the fulfilment of its social responsibility as top management priorities and, with the Legal Department responsible for all compliance-related measures, shall conduct activities to develop and implement the compliance structure and internal control and seek to ensure compliance.

(3) The Board of Directors, the Compliance Promotion Committee, the Group Administration Department and the persons responsible for each division shall play a central role in operating the Company's compliance structure.

(4) The Compliance Promotion Committee shall deliberate on material problems relating to compliance across the NIKKON Holdings Group and shall also seek to maintain and enhance the compliance structure, raise awareness and provide training in accordance with the internal regulations on compliance. In addition, the Compliance Promotion Department shall report to and advise the Board of Directors where necessary.

(5) The Legal Department shall serve as the secretariat of the Compliance Promotion Committee and shall also be in charge of planning and implementation in relation to the compliance structure.

9. System for storing and managing information about the Directors' performance of their duties (Ordinance for Enforcement of the Companies Act Article 110-4, Paragraph (2), Item (1))

(1) The minutes of Board of Directors' meetings and other meetings, approval documents and other information relating to Directors' performance of their duties shall be appropriately stored and managed in accordance with established internal regulations (regulations on the storage and management of documents and information).

(2) The above internal regulations shall cover clarification of the information to be stored and managed, the storage period and management method, the establishment of an information security policy, the establishment of an organization for storing and managing information, and the granting of the necessary authority, and the establishment of methods for responding in the event of leak, destruction or loss of information.

10. Regulations concerning management of the risk of loss and other relevant systems (Ordinance for Enforcement of the Companies Act Article 110-4, Paragraph (2), Item (2) and Item (5) (b))

(1) The Company shall establish the Risk Management Regulations to systematically conduct risk management across the NIKKON Holdings Group.

(2) On applying the regulations, the Company shall, upon establishment of a Risk Management Committee, appoint a person responsible for risk management, establish the division of duties, and grant the necessary authority.

(3) The Risk Management Committee engages in activities such as the identification, analysis and evaluation of risks predicted across the NIKKON Holdings Group, risk management which is consistent with corporate strategies and can adapt to changes in the management environment, the formulation of specific risk management plans, verification of the efficacy of the risk management structure, and clarification of matters to be reported to the Board of Directors regarding risk management.

(4) The person responsible for risk management in the NIKKON Holdings Group shall report the risk management status to the Company's Risk Management Committee in accordance with the Company's Risk Management Regulations.

(5) The Risk Management Committee shall report matters relating to the risk management of the NIKKON Holdings Group to the Board of Directors on a regular basis.

11. System to ensure efficient execution of duties by Directors (Ordinance for Enforcement of the Companies Act Article 110-4, Paragraph (2), Item (3))

(1) The Company shall make decisions at meetings of the Board of Directors which are convened regularly once a month and also convened as appropriate on an ad hoc basis.

(2) The Board of Directors shall determine management policies, matters stipulated by laws and regulations and other material matters related to management, and shall regularly monitor the state of progress and implementation status of management plans, the business plans of each division and other plans.

(3) The NIKKON Holdings Group shall ensure the efficient execution of duties by Directors through clarification of the division of duties of Directors and the division of responsibilities of each division, and the granting of authority.

12. System to ensure that the execution of duties by the Directors and employees conforms to laws, regulations and the Articles of Incorporation (Ordinance for Enforcement of the Companies Act Article 110-4, Paragraph (2), Item (4) and Item (5) (d))

(1) The NIKKON Holdings Group shall fulfil its corporate responsibility in relation to customers, shareholders and communities and contribute to the development of society through sound business activities. To achieve this goal, the NIKKON Holdings Group's employees will all practice the NIKKON Holdings Group Code of Conduct enacted in October 2007.

(2) The Company shall establish a Compliance Hotline (system for submitting reports from inside or outside the company) for reporting compliance-related information. The Compliance Promotion Committee shall deliberate on matters reported via the hotline and take appropriate action.

(3) Internal audit divisions shall develop the compliance structure and verify its efficacy.

13. System for ensuring the appropriateness of the operations of the corporate group which consists of the Company and its subsidiaries (Ordinance for Enforcement of the Companies Act Article 110-4, Paragraph (2), Item (5))

(1) The Company shall establish a dedicated section for managing subsidiaries and, upon appointing a person responsible, shall adopt a structure for managing the operations of subsidiaries, etc. in accordance with the Affiliated Company Regulations.

(2) Directors, etc. of subsidiaries shall regularly report the status of business and operations at subsidiaries to Directors of the Company.

(3) Subsidiaries shall be audited by the Company's internal audit division and Directors who are Audit and Supervisory Committee Members.

(4) The Company shall develop a structure under which the Company, which is the parent company, monitors subsidiaries to ensure that they do not

engage in inappropriate acts and a structure under which subsidiaries do not have to obey when the parent company instructs them to engage in inappropriate acts.

(5) The Company shall develop and operate the necessary internal control structure to ensure the reliability of financial reporting and help maintain and improve public trust.

2. Fundamental Approach to Eliminating Anti-Social Forces and State of Related Efforts

(1) Basic views on eliminating anti-social forces

The NIKKON Holdings Group shall develop a system for blocking any relationship with organized crime groups and other antisocial forces that threaten the order or safety of civil society and disturb economic activities, and the Group shall take a resolute stance as a unified organization toward antisocial forces and have no relationship, including business relation, with them.

(2) Status of efforts for eliminating anti-social forces

The NIKKON Holdings Group shall make each general affairs division responsible for actions to eliminate antisocial forces and shall establish close relationships with outside parties such as the police force and lawyers and seek to strengthen cooperation with them through the exchange of information, participation in various types of training and other means.

V. Others

1. Adoption of Anti-Takeover Measures

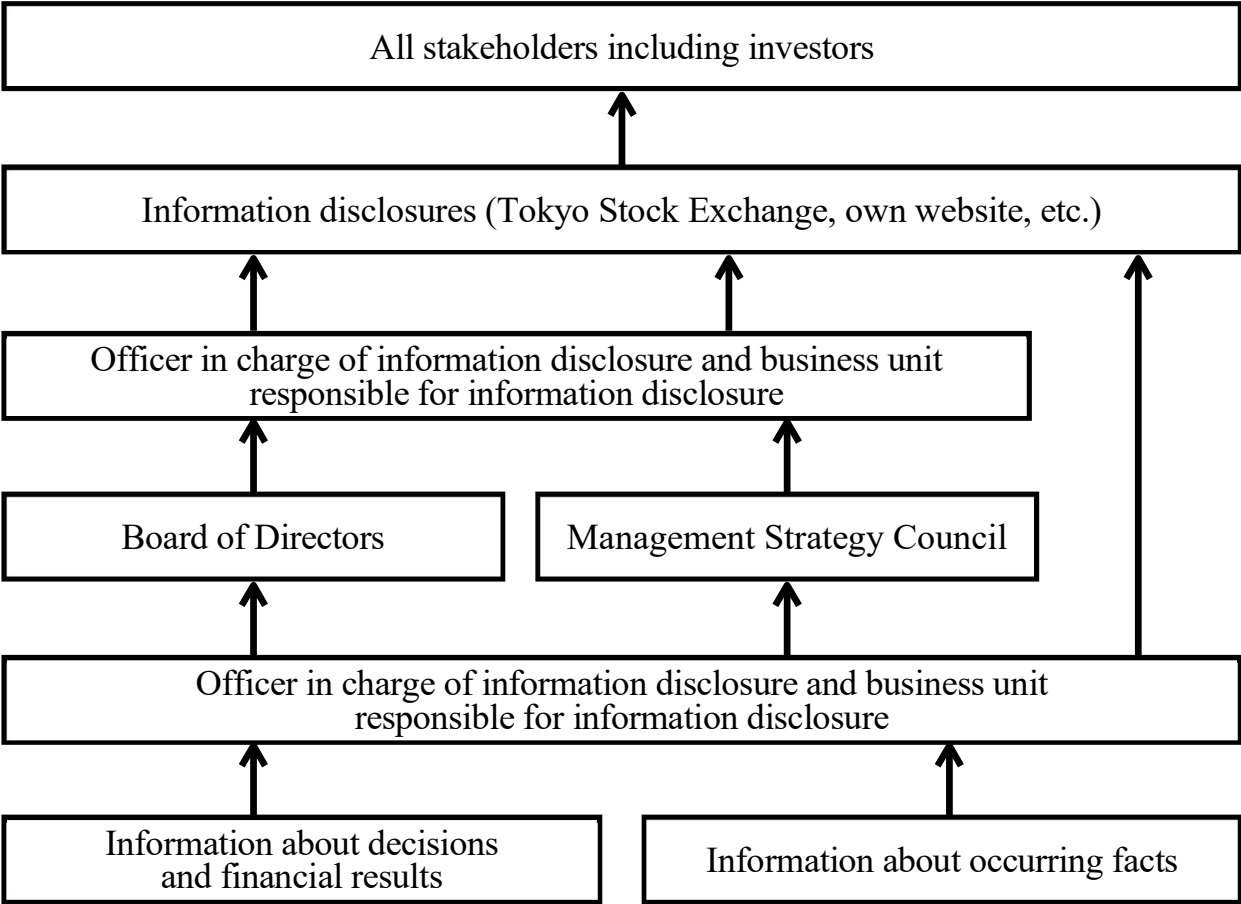
Adoption of Anti-Takeover Measures

None

Supplementary Explanation

2. Other Matters Concerning Corporate Governance System

Internal systems for timely disclosure



Corporate Governance Chart

