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NPR-Riken

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The corporate governance of [NPR-RIKEN CORPORATION] (the “Company”) is described below.

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

1. Basic Approach

The Company positions sustainable corporate growth and the enhancement of stable, long-term corporate value as key management issues, and is working on the enhancement of corporate governance based on “the securing of shareholder rights and equality,” “appropriate collaboration with stakeholders other than shareholders,” “appropriate information disclosure,” “the improvement of management efficiency, legality and transparency” and “the promotion of dialogue with shareholders.”

Reasons for not implementing each principle of the Corporate Governance Code Update

The Company has implemented all of the principles of the Corporate Governance Code.

Disclosure based on each principle of the Corporate Governance Code Updated

Principle 1.4 Cross-Shareholdings

(1) Policy on cross-shareholdings

The Company's policy is to hold cross-shareholding which is recognized to be necessary and reasonable from the perspective of the improvement of corporate value over the medium to long-term, taking into consideration their importance in business strategies, their utility in promoting the strengthening of relationships with business partners, etc. For the verification of each shareholding, the Company makes a comprehensive judgment on the necessity and reasonableness of each shareholding every year, taking into consideration the benefits and risks associated with the holding, the market value of the stock, etc., and also including verification based on the Company's capital costs. If the necessity or reasonableness of a shareholding is not recognized, the Company will reduce that shareholding. In addition, we will continue to make efforts to reduce cross-shareholdings overall through dialogue with issuing companies, etc., bearing in mind balance with net assets.

(2) Standards on the exercise of voting rights related to cross-shareholdings

The Company exercises the voting rights of shareholdings appropriately after examining the details of agenda items carefully and judging whether or not they will contribute to the improvement of shareholder value, such as confirming the situation with the other party and verifying proposals in the event of a prolonged downturn in results or the occurrence of a scandal.

Principle 1.7 Related Party Transactions

If a Director of the Company intends to enter into a transaction with the Company for their own or a third party's benefit, they must obtain the approval of the Board of Directors based on the procedures established in the Companies Act and the Board of Directors rules.

Principle 2.4 Ensuring Diversity, Including Active Participation of Women

Supplementary Principle 2.4. (i)

Ensuring diversity

The Company Group's management philosophy, “The value NPR-Riken provides,” establishes that “The Company and employees will grow together by all employees recognizing and respecting each other's values and by continuing to take on new challenges,” and the Code of Conduct establishes that “We respect the fundamental rights and diversity of all people. We also respect each other and develop and nurture our human relationships.” Under our mid-term management policy to fiscal year 2030, we will work on the “promotion of diversity” for the strengthening of sustainability management and the establishment of foundations for growth.

We are working on securing open workplace environments, the hiring of women, foreign nationals, senior employees, etc., and the diversification of human resources aiming for the creation of workplaces in which “diverse human resources can work actively with peace of mind” regardless of gender, nationality, etc.

1. Promotion of women to management positions

In addition to initiatives for the realization of diverse work styles, including the expansion of diverse work arrangements and support for nursing care and childcare, creating an employment environment in which everybody feels job satisfaction and finds it easy to demonstrate their abilities regardless of gender or time constraints is a priority issue for the Company Group. On this basis, we will recruit female employees positively, develop them as human resources and promote them to management positions to increase the ratio of female managers. In combination with this, we will also pay attention to figures such as the ratio of female managers among full-time female employees.

2. Promotion of foreign nationals to management positions

The Company Group carries out hiring activities regardless of nationality, and the domestic group (the wholly-owned subsidiaries Riken Corporation and Nippon Piston Ring Co., Ltd.; hereinafter referred to as “Both Wholly-Owned Subsidiaries”) have employed 15 foreign nationals, of whom one has been appointed to a management position. On the other hand, at the overseas operating companies that support the group, the majority of both managers and executives are non-Japanese. Based on the concept of using diversity in the group as a whole, we will continue to appoint foreign nationals to management positions in the right people at the right positions.

3. Promotion of mid-career hires to management positions

The Company Group carries out hiring activities regardless of experience and in recent years, about 30 to 40% of newly hired employees have been mid-career hires from the perspective of strengthening the securement of specialist personnel for the creation of new products and businesses. Currently, mid-career hires account for about the same percentage of management positions at the Company and Both Wholly-Owned Subsidiaries, and we will continue to appoint the right people to the right positions from the perspective of an appropriate personnel portfolio matched to the development of future management strategies.

Human resource development policy aimed at ensuring diversity, internal environment development policy, and their status

Among non-financial capital, human capital, in other words human resources, is essential to achieve sustainable growth, and the business strategy of the mid-term management policy states we will “Expand human capital base to support business growth by increasing investment in human capital as well as utilizing our diversified human resources.”

The Company Group intends to promote further hierarchical education and training, division-specific education, business-related education, global education, and self-development, skill improvement and reskilling, and to enhance the management of quantified targets such as annual education investment.

Principle 2.6 Roles of Corporate Pension Funds as Asset Owners

Since the Company is the wholly owning parent company based on share transfers, the state of the current corporate pension plans of Both Wholly-Owned Subsidiaries is as follows. We will formulate a common policy of the Company Group from now on.

Riken

Riken's corporate pension fund has a system in place that allows it to demonstrate its expected role in terms of fund management, including the assignment of personnel with expertise to the executive board and secretariat, which are its executive bodies. The management of corporate pension funds is outsourced to financial institutions because of the need for expertise, and the state of that management, including stewardship activities, is monitored through regular reports received from each financial institution four times a year. In addition, the board of delegates, which is the decision-making body of the corporate pension fund, is composed of the same number of delegates selected by employers and members, and operates under a system that allows it to manage conflicts of interest between Riken and beneficiaries appropriately.

Nippon Piston Ring

Nippon Piston Ring has outsourced its corporate pension to an asset management company that has expressed its acceptance of the Stewardship Code. Based on the fact that in addition to the stable asset formation of employees, the management of the corporate pension funds also affects the financial condition of Nippon Piston Ring, the Company has established a system for the organization responsible for the corporate pension fund to determine the contracted investment managers and realize appropriate management, such as regular monitoring of the investment management institutions.

Principle 3.1 Full Disclosure

In addition to disclosing information appropriately based on laws and regulations, the Company discloses information to ensure transparency and fairness in decision-making and realize effective corporate governance.

- (i) The Company publishes its basic management policies, such as its management philosophy, management strategies, management plans, etc., on its website.
- (ii) The Company has submitted to the Tokyo Stock Exchange its basic policy on corporate governance based on the respective principles of the Corporate Governance Code. (The basic policy on corporate governance is described in the report on corporate governance under "Basic Approach to Corporate Governance, Capital Structure, Business Attributes and Other Basic Information" -> "1. Basic Approach.")
- (iii) The Company discloses its policies for the Board of Directors to determine the remuneration of Directors in its report on corporate governance and securities report.
- (iv) The Board of Directors selects and dismisses Directors and nominates candidates for Director based on the deliberations and reports of the Nomination and Compensation Committee.
- (v) The Company states the reasons for the nomination of candidates for Director, their brief personal histories, important concurrent positions, responsibilities, etc., in the materials for the General Meeting of Shareholders and in its business report and securities report.

Supplementary Principle 3.1.(iii)

In its management philosophy, the Company has raised "Build the competencies and capabilities to sustain our present and future" as its mission, and "Create innovation through the blending of people and technology while continuing to embrace change" as its vision. Through the realization of our management philosophy, we are aiming for the sustainable development of the Company and the continuous improvement of corporate value, including contributing to the achievement of the SDGs and providing a wider range of products with superior environmental performance.

The Company's basic sustainability policies and initiatives, investments in human capital and intellectual property, and the impact of climate change-related risks and opportunities on our business activities, earnings, etc., are disclosed on our website and in our sustainability report (Integrated Report). - NPR-Riken sustainability report: https://www.npr-riken.co.jp/sdgs/pdf/pdf_09.pdf

Principle 4.1 Roles and Responsibilities of the Board (1)

Supplementary Principle 4.1.(i)

The Company's Board of Directors is responsible for the function of supervising overall management, including the execution of duties by the executive Directors, ensures the fairness and transparency of management, and discusses and issues resolutions on the matters established in the Board of Directors rules established by the Board of Directors in advance (management policies, medium to long-term management plans, the disclosure of important information, etc., important matters related to management, etc.) and matters to be decided by the Board of Directors under laws and regulations (matters related to the General Meeting of Shareholders, matters related to personnel and organization, matters related to the financial results, matters related to shares, etc., matters related to investments and loans exceeding a certain size, etc.).

Principle 4.9 Independence Standards and Qualification for Independent Outside Directors

The Company selects candidates for independent Outside Director based on the standards for the judgment of independence established by the Company.

- Standards for the judgment of the independence of Outside Directors https://www.npr-riken.co.jp/sdgs/pdf/pdf_02.pdf

Principle 4.10 Use of Optional Approach

Supplementary Principle 4.10.(i)

The Company has established a Nomination and Compensation Committee as an optional advisory body for the Board of Directors to strengthen the supervisory function of the Board of Directors and further enhance corporate governance by ensuring the transparency and objectivity of the procedures for the nomination of Directors for appointment and determination of their remuneration.

Principle 4.11 Preconditions for Effectiveness of Board of Directors and Board of Auditors

Supplementary Principle 4.11.(i)

The Company's Board of Directors consists of thirteen Directors with international experience, including five Outside Directors (of whom, one is a woman) with extensive experience at other companies, etc., broad insight and an international perspective, and who supervise the Company's business execution from an independent standpoint.

Based on the Company's management philosophy, management strategies, management policies, etc., the Company has clarified as skills the representative knowledge, experience and abilities that the Board of Directors as a whole should be equipped with.

With regard to the nomination of candidates for Director, after consulting the Nomination and Compensation Committee, the majority of which is composed of independent Outside Directors, and in consideration of the combination of skills of the Board of Directors as a whole as well as the diversity of gender, etc., the Board of Directors decides on the people who will be able to perform their duties appropriately as Director, have a wealth of experience in management, and are internationally minded and have excellent insight.

The skills matrix, which summarizes the skills possessed by each Director comprising the Board of Directors, is disclosed in the list of Directors on the Company's website and in the agenda item concerning the election of Directors at a General Meeting of Shareholders.

Supplementary Principle 4.11.(ii)

The state of Directors' concurrent positions as Directors of other listed companies is disclosed in the business report in the Notice of Convocation of a General Meeting of Shareholders.

- Notice of Convocation of a General Meeting of Shareholders <https://www.npr-riken.co.jp/ir/stock/>

Supplementary Principle 4.11.(iii)

To strengthen corporate governance, the Company's Board of Directors evaluates its own effectiveness annually, shares among its members the points to improve its effectiveness further and works for continuous improvement.

The effectiveness of the meetings of the Board of Directors held in fiscal year 2023 was evaluated, and the results were reported and discussed by the Board of Directors.

A summary of the evaluation results has been disclosed at the end of this report and on the Company's website.

- Results of the evaluation of the effectiveness of the Board of Directors in fiscal year 2023 https://www.npr-riken.co.jp/sdgs/pdf/pdf_010.pdf

The Company will continue to raise the effectiveness of the Board of Directors by strengthening its functions and improving its operations from now on.

Principle 4.14 Director and Auditor Training

Supplementary Principle 4.14.(ii)

The Company strives to grasp the knowledge required for the execution of the roles and duties of Directors by having all Directors, including Outside Directors, participate in external seminars and holding executive training sessions as required.

Principle 5-1 Policy for Constructive Dialogue with Shareholders

(i) The Company engages in fair and constructive dialogue with shareholders to build long-term relationships of trust.

(ii) Corporate Planning Division is in charge of dialogue with shareholders in general. In addition, it cooperates with other related divisions to enhance dialogue.

(iii) We transmit information positively to shareholders and investors using the Company's website and carry out IR and SR activities positively, including conference calls and small meetings. We also hold a financial results briefing once a year for analysts and institutional investors.

(iv) The Company provides feedback on the opinions of shareholders obtained through dialogue to senior management and related departments as appropriate.

(v) The Company manages information thoroughly based on its "Regulations on the Prevention of Insider Trading" so that important internal information is not leaked, such as establishing a silent period during the period of preparation for the announcement of financial results.

Principle 5.2 Establishing and Disclosing Business Strategies and Business Plans

Measures for the realization of management conscious of the cost of capital and stock price

As the automotive industry enters a period of change said to occur only once every hundred years, the Company Group has formulated a mid-term management plan centered on the creation of synergies through business portfolio reform and management integration to expand and strengthen the foundations of the next core business that will support the next generation, while strengthening the profitability of existing business centered on products for automobile engines. Under this plan, we will aim for the achievement of an ROE that exceeds the cost of shareholders' equity over the three-year period through fiscal year 2026 by promoting positive capital allocation, including strategic investments (capital expenditure, M&A investment, and R&D investment) and the implementation of proper shareholder returns. In addition, along with such business and financial strategies, we will also focus on sustainability management and work as one on the improvement of the corporate value of the Company Group. We will disclose and explain these management plans, targets, specific measures, etc., through various briefings, reports, the Company's website, etc., and strive to obtain the understanding of shareholders and investors.

- Mid-Term Management Plan <https://www.npr-riken.co.jp/ir/plan/>

2. Capital Structure

Foreign shareholding ratio	10% or more and less than 20%
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Status of major shareholders Updated

Name	Number of shares held (shares)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	2,474,700	8.79
Takateru Murakami	1,590,656	5.65
Mizuho Bank, Ltd.	972,700	3.46
Nippon Life Insurance Company	931,554	3.31
Custody Bank of Japan, Ltd. (Trust account)	732,100	2.60
Daishi Hokuetsu Bank, Ltd.	640,484	2.28
NPR-Riken Employee Shareholding Association	566,368	2.01
Sumitomo Mitsui Trust Bank, Limited	523,400	1.86
MUFG Bank, Ltd.	510,654	1.81
Riken Kashiwazaki Shareholding Association	500,190	1.78

Existence of controlling shareholders (excluding parent company)	_____
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Existence of parent company	None
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Supplementary explanation Updated

The figures above are as of March 31, 2024.

Shareholding ratios are calculated excluding treasury stock (3,159 shares).

3. Company Attributes

Stock exchange of listing and market segment	Tokyo Prime
End of fiscal year	End of March
Industry	Machinery
Number of employees (consolidated) at the end of the immediately preceding fiscal year	1,000 or more people
Sales (consolidated) during the immediately preceding fiscal year	100 billion yen or more and less than 1 trillion yen

Number of consolidated subsidiaries at the end of the immediately preceding fiscal year

10 or more and less than 50 companies

4. Guidelines Concerning the Policy for Protection of Minority Shareholders at Times of Transactions, etc., with Controlling Shareholders

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

// State of Management Organizations and Other Corporate Governance Systems Related to Management Decision-Making, Execution and Supervision

1. Matters Related to the Composition and Operation of the Organization

Organizational structure

Company with an Audit and Supervisory Committee

Directors

Number of Directors under the Articles of Incorporation

16 people

Term of office of Directors under the Articles of Incorporation

1 year

Chairman of the Board of Directors
Updated

Chairman (except when serving concurrently as President)

Number of Directors

13 people

State of appointment of Outside Directors

Appointed

Number of Outside Directors

5 people

Number of Outside Directors designated as independent officers

5 people

Relationships with the company (1)

Name	Attributes	Relationship with the company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Eiji Hirano	From another company											
Masako Kurosawa	Academic											
Osamu Honda	From another company								△			
Hiroki Kimura	From another company								○			
Tatsuya Sakuma	Lawyer											

* Selected items regarding relationship with the company

* If the person falls under an item "currently or recently," it is marked with a circle (○); if the person fell under an item in the "past," it is marked with a triangle (△).

* If a near relative of the person falls under an item "currently or recently," it is marked with a circle (●); if a near relative of the person fell under an item in the "past," it is marked with a triangle (▲).

a. Executive officer of the listed company or one of its subsidiaries

b. Executive officer or non-executive director of the parent company of the listed company

c. Executive officer of a fellow subsidiary of a listed company

d. Individual or executive officer of a key business partner of the listed company

e. Key business partner of the listed company or an executive officer of the same

f. A consultant, accounting expert or legal expert who receives significant monetary amounts or other assets from the listed company other than remuneration as an officer

g. Major shareholder of the listed company (if the major shareholder is a corporation, an executive officer of that corporation)

h. Executive officer of a business partner of the listed company (who does not fall under d, e or f) (individual only)

i. Executive officer of an organization with whom the Outside Director has a mutual appointment (individual only)

j. Executive officer of an organization to whom the listed company makes donations (individual only)

k. Other

Name	Audit and Supervisory Committee Member	Independent Officer	Supplementary Explanation of Conforming Items	Reason for Appointment
Eiji Hirano		○	_____	Mr. Hirano held important positions at the Bank of Japan and subsequently also had experience of corporate management. He has been appointed as an Outside Director because he can use his high level of expertise and extensive international experience in the management of the Company. Mr. Hirano has no special interests in the Company and satisfies the requirements of the independence criteria established by the Company and Tokyo Stock Exchange, Inc., and so has been appointed as an independent officer with a high degree of independence who is unlikely to cause any conflict of interest with general shareholders.
Masako Kurosawa		○	_____	Ms. Kurosawa has been involved in the management of a research institutions as Vice President of National Graduate Institute for Policy Studies, and has served on various government committees. She has been appointed as an Outside Director because she can use that experience in the management of the Company. Ms. Kurosawa has no special interests in the Company and satisfies the requirements of the independence criteria established by the Company and Tokyo Stock Exchange, Inc., and so has been appointed as an independent officer with a high degree of independence who is unlikely to cause any conflict of interest with general shareholders.
Osamu Honda	○	○	Mr. Honda worked as an operating officer at Mizuho Bank, Ltd., and Mizuho Securities Co., Ltd., business partners of the Company. Although the Company and these two companies engage in transactions, the amount of those transactions is less than 1% of consolidated sales, and the amount borrowed from Mizuho Bank, Ltd., does not exceed 2% of the Company's consolidated assets. In addition, Mizuho Bank, Ltd., is a shareholder of the Company, but its shareholding is less than 10% of total shares.	Mr. Honda has a wealth of experience and a high level of expertise in finance and other areas through many years of experience at financial institutions, as well as experience in management and auditing at other companies so he has been appointed as an Outside Director and Audit and Supervisory Committee Member because he can use this in the enhancement of the Company's governance and compliance. Mr. Honda has no special interests in the Company and satisfies the requirements of the independence criteria established by the Company and Tokyo Stock Exchange, Inc., and so has been appointed as an independent officer with a high degree of independence who is unlikely to cause any conflict of interest with general shareholders.
Hiroki Kimura	○	○	Mr. Kimura is the President and Representative Director of Asahi Mutual Life Insurance Company, a shareholder of the Company, but that shareholding is less than 10% of total shares.	Mr. Kimura has a wealth of experience and a high level of expertise in risk management and other areas through many years of experience in the life insurance industry, as well as experience in management and auditing at other companies so he has been appointed as an Outside Director and Audit and Supervisory Committee Member because he can use this in the enhancement of the Company's governance and compliance. Mr. Kimura has no special interests in the Company and satisfies the requirements of the independence criteria established by the Company and Tokyo Stock Exchange, Inc., and so has been appointed as an independent officer with a high degree of independence who is unlikely to cause any conflict of interest with general shareholders.
Tatsuya Sakuma	○	○	_____	Mr. Sakuma has experience and knowledge as a prosecutor and lawyer, as well as experience as a director of other companies. He has been appointed as an Outside Director and Audit and Supervisory Committee Member because he can use this experience to enhance in the enhancement of the Company's governance and compliance. Mr. Sakuma has no special interests in the Company and satisfies the requirements of the independence criteria established by the Company and Tokyo Stock Exchange, Inc., and so has been appointed as an independent officer with a high degree of independence who is unlikely to cause any conflict of interest with general shareholders.

Audit and Supervisory Committee Members

	Total number of members (people)	Number of full-time members (people)	Internal Directors (people)	Outside Directors (people)	Committee Chair (Chair)
Audit and Supervisory Committee	5	2	2	3	Internal Directors

Existence or non-existence of Directors and employees to assist the Audit and Supervisory Committee in its duties	Yes
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Matters concerning the independence of such Directors and employees from executive Directors

The Company assigns employees to assist the Audit and Supervisory Committee in its duties (Audit and Supervisory Committee staff; who serve concurrently in other departments). Audit and Supervisory Committee staff members follow the instructions and orders of the Audit and Supervisory Committee with regard to the support work they are instructed on by the Audit and Supervisory Committee. In addition, changes in personnel and evaluations of those staff must be reported to and approved by the Audit and Supervisory Committee in advance.

Collaboration between the Audit and Supervisory Committee, Accounting Auditors, and Internal Audit Division

The Audit and Supervisory Committee holds regular meetings with the Representative Directors to ensure mutual communication. In addition, the Audit and Supervisory Committee, together with Audit Division, the department that controls internal audits, strives to ensure the effectiveness of audits by the Audit and Supervisory Committee by improving mutual collaboration by exchanging information as required through regular meetings each quarter with the accounting auditors, attendance at audits, etc. In addition to regular meetings each month centered on the full-time Audit and Supervisory Committee members, Audit and Supervisory Committee, including Outside Directors, and Audit Division improve mutual cooperation by exchanging information as required.

Optional Committees

Existence or non-existence of an optional committee equivalent to a nomination committee or compensation committee	Yes
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State of establishment of optional committees, composition of members and attributes of the committee head (chair)

	Name of committee	Total number of members (people)	Number of full-time members (people)	Internal Directors (people)	Outside Directors (people)	Outside experts (people)	Others (people)	Committee Chair (Chair)
Optional committee equivalent to a nomination committee	Nomination and Compensation Committee	5	0	2	3	0	0	Outside Directors
Optional committee equivalent to a compensation committee	Nomination and Compensation Committee	5	0	2	3	0	0	Outside Directors

Supplementary explanation

The Company has established a Nomination and Compensation Committee as an optional advisory body for the Board of Directors to strengthen the supervisory function of the Board of Directors and further enhance corporate governance by ensuring the transparency and objectivity of the procedures for the nomination of Directors for appointment and determination of their remuneration. The Nomination and Compensation Committee is composed of at least five members from among the internal Directors and independent Outside Directors, with a majority of independent Outside Directors, and the committee chair is selected from among the independent Outside Directors.

Independent Officers

Number of independent officers	5 people
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Other matters concerning independent officers

Incentives

State of Implementation of Measures to Provide Incentives to Directors

Other

Supplementary Explanation

The Company has introduced a transfer-restricted stock compensation system for its Directors (excluding Directors who are members of the Audit and Supervisory Committee and Outside Directors) to raise the motivation of the Company's Directors to contribute to increases in the Company's share price and the sustainable improvement of corporate value.

People granted stock options

Supplementary explanation

Directors' remuneration

State of disclosure of (individual Director's remuneration)

The Company does not disclose remuneration individually.

Supplementary explanation Updated

In the securities report, the Company discloses the total amount of remuneration by officer category, the total amount of remuneration, etc., by type, and the number of officers subject to remuneration.

- Annual securities report: <https://www.npr-riken.co.jp/ir/>

Existence or non-existence of a policy for determining the amount of remuneration and its method of calculation Updated

Yes

Details of disclosure of the policy for determining the amount of remuneration and its method of calculation

[1] Matters concerning the policy for determining the amount of remuneration, etc., for officers and the method of calculation

The Company distinguishes between Directors (excluding Directors who are members of the Audit and Supervisory Committee) and Directors who are members of the Audit and Supervisory Committee with regard to their remuneration. The policy for determining the amount of remuneration, etc., for Directors (excluding Directors who are members of the Audit and Supervisory Committee) is determined by a resolution of the Board of Directors based on the deliberations and reports of the Nomination and Compensation Committee, and the policy for determining the amount of remuneration, etc., for Directors who are members of the Audit and Supervisory Committee is determined through discussions by Directors who are members of the Audit and Supervisory Committee.

The maximum amount of remuneration, etc., for Directors is established by a resolution of a General Meeting of Shareholders, and the 1st Ordinary General Meeting of Shareholders held in June 2024 passed a resolution setting the amount of remuneration, etc., for Directors (excluding Directors who are members of the Audit and Supervisory Committee) to no more than 400 million yen per year (excluding salaries for employees). In addition, the same Ordinary General Meeting of Shareholders also passed a resolution setting the total amount of monetary remuneration claims paid as remuneration, etc., concerning transfer restricted stock to Directors (excluding Directors who are members of the Audit and Supervisory Committee and Outside Directors) at no more than 100 million yen per year.

[2] Total amount of remuneration by officer category, total amount of remuneration, etc., by type, and the number of officers subject to remuneration

In the Business Report for the Annual General Meeting of Shareholders and its securities report, the Company discloses the total amount of remuneration by officer category, the total amount of remuneration, etc., by type, and the number of officers subject to remuneration.

- Annual securities report: <https://www.npr-riken.co.jp/ir/>

[3] The names of persons authorized to make decisions regarding the policy for determining the amount of remuneration, etc., for officers and the method of calculation, the details of that authority, and the scope of discretion

The Company distinguishes between Directors (excluding Directors who are members of the Audit and Supervisory Committee) and Directors who are members of the Audit and Supervisory Committee with regard to its policy on decisions related to the details of remuneration, etc., for individual officers and the details of the remuneration, etc., of individual officers. The policy for determining remuneration, etc., for Directors (excluding Directors who are members of the Audit and Supervisory Committee) is determined by a resolution of the Board of Directors based on the deliberations and reports of the Nomination and Compensation Committee, and the policy for determining remuneration, etc., for Directors who are members of the Audit and Supervisory Committee is determined through discussions by Directors who are members of the Audit and Supervisory Committee.

The Support System for Outside Directors

Staff of Corporate Planning Division provide support to Outside Directors, such as explaining to them in advance the details of agenda items to be discussed at a meeting of the Board of Directors.

Full-time Audit and Supervisory Committee members and Audit and Supervisory Committee staff provide sufficient information to Outside Directors who are Audit and Supervisory Committee members.

2. Matters Related to Functions Such as Business Execution, Audits, Supervision, Nominations, and the Determination of Remuneration (Overview of the Current Corporate Governance System)

The Board of Directors makes decisions on basic matters related to the management of the group as a whole and the execution of important business, and supervises the state of business execution by each Director. In addition, the Company also holds various meetings and committees, including the Audit and Supervisory Committee, which audits the execution of business by Directors, and the Management Meeting, which makes decisions on matters related to business execution based on the policies of the Board of Directors, and manages the state of execution of the group's management plans and strategies.

In addition, the Company has established a Nomination and Compensation Committee to strengthen fairness, transparency and objectivity in the consideration of important matters related to the selection, dismissal and remuneration of Directors, as well as succession planning, by ensuring opportunities to obtain the appropriate involvement of, and advice from, the Outside Directors.

[1] Company organizations

The Company adopted the “company with an Audit and Supervisory Committee system” aimed at building an effective governance system, and is striving for the improvement of the soundness, transparency and efficiency of management by establishing a General Meeting of Shareholders, a Board of Directors, Audit and Supervisory Committee, and accounting auditors.

[2] Directors and the Board of Directors

The Company's Board of Directors is comprised of eight Directors (excluding Directors who are members of the Audit and Supervisory Committee) (and of whom two are Outside Directors), and five Directors who are members of the Audit and Supervisory Committee (of whom three are Outside Directors). The Board of Directors deliberates and decides on basic management policies, group management strategies and other important business matters, and supervises the execution of duties by individual Directors. In addition, the Company's Articles of Incorporation establish that the Board of Directors may delegate all or part of the determination of important business execution to Directors.

[3] Executive Directors and the Management Meeting

In principle, the Company holds a Management Meeting, composed mainly of executive Directors on a monthly basis, to deliberate on various management issues and exercise general control over business execution based on the basic management policies established by the Board of Directors.

[4] Audit and Supervisory Committee

The Company's Audit and Supervisory Committee is comprised of five Directors who are Audit and Supervisory Committee members (of whom three are Outside Directors). The Audit and Supervisory Committee supervises business execution through the exercise by members of the Audit and Supervisory Committee of voting rights as Directors at meetings of the Board of Directors and their exercise of the right to express opinions regarding personnel matters and the remuneration of Directors who are not Audit and Supervisory Committee members. The Audit and Supervisory Committee implements audits in cooperation with Internal Audit Division, the accounting auditors, etc.

[5] The fixed number of Directors

The Company's Articles of Incorporation establish that the Company must have no more than ten Directors (excluding Directors who are members of the Audit and Supervisory Committee), and no more than six (6) Directors who are Audit and Supervisory Committee Members.

[6] Requirements for a resolution for the election of a Director

It is established in the Articles of Incorporation that resolutions for the election of Directors must be passed with a majority of the voting rights of shareholders present at a meeting with shareholders holding at least one-third of the voting rights of shareholders able to exercise their voting rights present, distinguishing between Directors who are members of the Audit and Supervisory Committee and other Directors. In addition, it is established in the Articles of Incorporation that resolutions for the election of directors must not be passed by cumulative voting.

[7] Requirements for a special resolution of a General Meeting of Shareholders

The Company has established in the Articles of Incorporation with regard to the special resolution requirements for a General Meeting of Shareholders stipulated in Article 309, Paragraph 2 of the Companies Act, that relevant resolutions must be passed with two-thirds or more of the voting rights of shareholders present at the meeting, with shareholders holding one-third or more of the voting rights of shareholders able to exercise voting rights present. This is aimed at the smooth operation of a General Meeting of Shareholders by relaxing the quorum for special resolutions at a General Meeting of Shareholders.

[8] Matters for resolution at a General Meeting of Shareholders that can be resolved upon by the Board of Directors

(a) Acquisition of treasury stock

The Company has established in the Articles of Incorporation that it can acquire shares in the Company through market transactions, etc., based on a resolution of the Board of Directors, pursuant to Article 165, Paragraph 2, of the Companies Act to enable the execution of flexible capital policies in response to changes in the business environment.

(b) Dividends of surplus

The Company has established in the Articles of Incorporation with regard to the matters established in each item of Article 459, Paragraph 1 of the Companies Act, such as dividends of surplus, that it may carry out those matters based on a resolution of the Board of Directors instead of by resolution of a General Meeting of Shareholders, unless otherwise provided by law.

[9] Liability limitation agreements for Directors

The Company has established in the Articles of Incorporation that it may conclude an agreement with a Director (excluding Executive Directors, etc.) that limits their liability for compensation for damages due to neglect of duties pursuant to Article 427, Paragraph 1 of the Companies Act to limit the responsibilities of directors to an appropriate level.

[10] Internal reporting system

The Company operates an internal reporting system that protects reporters by establishing internal and external contact points for consultation on compliance and the reporting of misconduct, etc.

3. Reasons for Selecting the Current Corporate Governance System

The Company has adopted a company with an Audit and Supervisory Committee system aimed at strengthening the supervisory function of the Board of Directors and building an effective governance system as a holding company.

In addition, the Company's Board of Directors consists of thirteen Directors, including five Outside Directors (of whom three are members of the Audit and Supervisory Committee) with extensive experience at other companies, etc., and broad insight, and who supervise the Company's business execution from an independent standpoint, ensuring the transparency and objectivity of management, so we think the current system is the most appropriate.

/// State of Implementation of Measures Concerning Shareholders and Other Stakeholders

1. State of Initiatives for the Invigoration of Shareholders' Meetings and Facilitation of the Exercise of Voting Rights Updated

	Supplementary explanation
Early delivery of notices of the convocation of a General Meeting of Shareholders	The Company delivers notices of the convocation of a General Meeting of Shareholders at an early stage.
Scheduling of General Meetings of Shareholders avoiding dates on which General Meetings of Shareholders of companies are concentrated	The Company sets dates avoiding days on which General Meetings of Shareholders of companies whose fiscal year ends in March are concentrated. - The Company held its first Ordinary General Meeting of Shareholders on June 21, 2024.
Exercise of voting rights by electromagnetic means	The Company has introduced the exercise of voting rights by electromagnetic means.
Initiatives for participation on platforms for the electronic exercise of voting rights and other improvements in the voting right exercise environment for institutional investors	The Company participates on platforms for the electronic exercise of voting rights.
Provision of notices of convocation (summary) in English	The Company published the English text of its Notice of Convocation of the General Meeting of Shareholders (summary) on its website.

2. State of IR-Related Activities Updated

	Supplementary explanation	Existence or non-existence of explanations by the representative in person
The Company holds regular financial results briefings for analysts and institutional investors.	The Company plans to hold regular corporate briefings.	Yes
Posting of IR materials on the website	The Company discloses financial results information, materials subject to timely disclosure other than financial results information, securities reports, quarterly reports, corporate briefing materials, the state of corporate governance, notices of convocation of General Meetings of Shareholders, etc., on the Company's website.	
Establishment of a department (person in charge) of IR	Corporate Planning Division	

3. State of Initiatives Related to Respect for the Position of Stakeholders Updated

	Supplementary explanation
Provisions on respect for the positions of stakeholders based on internal regulations, etc.	The Company has established its management philosophy and Code of Conduct and stipulated that it respect the positions of stakeholders including shareholders, employees, business partners and local communities.
Implementation of environmental conservation activities, CSR activities, etc.	The Company has established the group's Environmental Policy and is promoting activities for environmental conservation. In addition, we have also established a Sustainability Committee and are striving for the strengthening of CSR activities as a voluntary corporate initiative to enable the sustainable development of society.
Establishment of policies, etc., related to the provision of information to stakeholders	We have established a Code of Conduct that includes a policy related to the provision of information to stakeholders.

IV Matters Concerning Internal Control Systems, etc.

1. Basic Approach to Internal Control Systems and their Status Updated

The Company is working on the establishment of internal control systems in accordance with the following basic policy.

1. Systems to ensure that the execution of duties by Directors and employees complies with laws and regulations and the Articles of Incorporation

(1) The Company has established a Code of Conduct and behavioral guidelines that apply to the Company Group as a whole to build a system within which Directors and employees of the group comply with laws, regulations and the Articles of Incorporation and implement appropriate business activities.

(2) The Company has established an Audit and Supervisory Committee with a majority of Outside Directors to raise the soundness and efficiency of management.

(3) The Company has established a Compliance Subcommittee under the Sustainability Committee, which is a company-wide committee chaired by the COO, and is promoting various activities required for the thorough establishment and operation of compliance to establish a management system trusted by society.

(4) Corporate Management Division implements compliance education systematically for Directors and employees in cooperation with the personnel-related divisions of each group company to implement compliance thoroughly.

(5) The Company operates an internal reporting system that protects reporters thoroughly by establishing reporting contact points for consultation on compliance and the reporting of misconduct, etc.

(6) Audit Division grasps the actual state of implementation of the Company's business through internal audits that it implements regularly, investigates and verifies whether all business is being carried out properly, appropriately and rationally in accordance with laws, regulations, the Articles of Incorporation and various internal regulations, and whether the Company's systems, organizations and regulations are proper and appropriate, and reports the results to the Representative Directors and the Audit and Supervisory Committee.

(7) The above compliance-related activities are reported to the Board of Directors regularly.

Overview of operating results

In accordance with the spirit of the "Mission," "Vision" and "Value" established as the management philosophy, the Company has established the NPR-Riken Code of Conduct to contribute to sustainable growth, and discusses important issues related to compliance and risk management appropriately on expert subcommittees, etc. In addition, the Company has established reporting contact points for consultation on compliance and the reporting of misconduct, etc., and informs employees thoroughly.

2. Regulations and other systems concerning the management of risk of loss

The Company Group strives for the development of organized handling to minimize the various risks of loss by preparing appropriate countermeasures in advance in accordance with the size of risks and the likelihood of their occurrence.

(1) The Company has built a risk management system for the group as a whole and has established regulations related to risk management, including a basic policy on risk management, to implement appropriate risk handling.

(2) The Company has established a Risk Management/BCM Subcommittee under the Sustainability Committee to promote the various activities required for the establishment and thorough operation of risk management and business continuity plans.

(3) The Company identifies and evaluates every year the risks of business opportunities and the risks in the execution of business activities at the Company Group, and formulates and promotes risk handling plans.

(4) The above risk management-related activities are reported to the Board of Directors regularly.

Overview of operating results

The Company established the Risk Management/BCM Subcommittee under the Sustainability Committee, formulated a Business Continuity Plan (BCP) in preparation for disasters and other risks, and is working to create a system that enables continuous improvement by implementing regular drills (initial handling and handling of recovery).

3. Systems to ensure that the execution of duties by directors is carried out efficiently

The Company formulates and promotes mid-term management plans and annual management plans to respond to changes in the environment. We will strive for greater efficiency in the day-to-day execution of business by directors aimed at achieving management plans.

(1) The work and decision-making authority of directors are established in the Organization Regulations, the Regulations on Division of Duties and the Regulations on Decision-Making Standards.

(2) The Board of Directors determines management policies, matters established by laws and regulations, and other important matters concerning management, and supervises the state of execution of business by Directors.

(3) The Company has established the Management Meeting chaired by the CEO under the Board of Directors, (meetings are held monthly, in principle) to hold advance deliberations on matters to be resolved upon by the Board of Directors, and to deliberate and make decisions on the execution of the Company's business, the implementation of measures, etc., within the authority delegated to it by the Board of Directors.

Overview of operating results

Matters stipulated in the Companies Act and other laws and regulations, matters stipulated in the Articles of Incorporation and other important management matters are positioned as matters for resolution by the Board of Directors, and the state of business execution, other matters stipulated in the Companies Act and other laws and regulations, and other matters deemed necessary by the Board of Directors are positioned as matters for reporting to the Board of Directors. In addition, the Company has formulated a mid-term business plan based on a long-term business strategy that takes into account medium to long-term customer values, technological trends, etc.

4. Systems for the storage and management of information related to the execution of duties by directors

The Company records properly information related to the execution of duties by Directors and stores that information for the established period based on laws and regulations and document management rules, including records related to decision-making at meetings of the Board of Directors and other important meetings, and documents approved by each Director based on the division of duties and decision-making standards.

(1) The Company preserves the following documents (including electromagnetic records) together with related materials based on laws and regulations and the Document Management Regulations.

[1] Documents required by laws and regulations

- Minutes of General Meetings of Shareholders, minutes of meetings of the Board of Directors

[2] Documents based on the Document Management Regulations

- Minutes of management meetings, minutes of meetings of the various committees

- Minutes of other meetings chaired by a Director

- Approval documents of which a Director is the approver

- Other important documents established in the Document Management Regulations

(2) The Company has established "Information Security Management Regulations" for the protection of important information related to the Company's management and the prevention of its external leakage, and manages such information based thereon.

(3) Unless otherwise stipulated by laws and regulations, the documents above are managed by the division in charge of each document based on the Document Management Regulations.

Overview of operating results

The Company prepares and stores properly minutes of meetings of the Board of Directors, Management Meetings, meetings of the Nomination and Compensation Committee, etc. In addition, the management of important information is carried out properly based on regulations.

5. Systems to ensure the appropriateness of business at the Company Group

The Company aims to build an internal control system for the NPR-Riken Group, also including affiliates, and strives for appropriate group management while respecting the autonomy of each subsidiary based on the "Regulations on the Management of Subsidiaries, etc."

(1) As group management, the Company shares the management philosophy, Code of Conduct, and compliance-related regulations and manuals with affiliated companies, and promotes NPR-Riken Group management plans in an integrated manner.

(2) Directors of the Company serve concurrently as the Directors, etc., of Riken and Nippon Piston Ring (hereinafter referred to as "Both Companies") to supervise the management of Both Companies, and Riken and Nippon Piston Ring confirm the state of management through meetings of each company's Board of Directors, the holding of hearings, etc., with regard to their own respective affiliates to confirm the legality and efficiency of their management.

(3) Corporate Planning Division provides guidance and supervises affiliated companies.

(4) Audit Division implements regular audits of affiliated companies.

(5) For major affiliated companies, the Company appoints a member of Audit and Supervisory Committee as corporate auditor to implement accounting audits and business audits.

Overview of operating results

The Company clarifies roles related to the management of subsidiaries, and related divisions implement multifaceted management of subsidiaries in accordance with their position within the Company. Moreover, the state of implementation of the management of subsidiaries is inspected regularly and the results are confirmed by the Board of Directors, etc.

6. Employees who assist the Audit and Supervisory Committee in the performance of its duties

If Audit and Supervisory Committee requests a full-time employee to assist it in the performance of its duties, that employee will be assigned following prior consultation with the Audit and Supervisory Committee.

Overview of operating results

The Company has established an Audit Division and created a system within which employees can be assigned as assistants upon request.

7. Matters concerning the independence of the employees of the preceding paragraph from Directors (excluding Directors who are members of the Audit and Supervisory Committee)

The employees of the preceding paragraph must not receive orders from Directors (excluding Directors who are members of the Audit and Supervisory Committee), but are under the orders of Audit and Supervisory Committee. Personnel transfers and evaluations must be reported to and approved by the Audit and Supervisory Committee in advance.

Overview of operating results

The Company has established that if an assistant is appointed, personnel and other matters concerning that employee are agreed to by the Audit and Supervisory Committee.

8. Systems for Directors (excluding Directors who are members of Audit and Supervisory Committee) and employees to report to Audit and Supervisory Committee, and other systems for reporting to Audit and Supervisory Committee

The Directors (excluding Directors who are members of Audit and Supervisory Committee) and employees of the Company Group report to Audit and Supervisory Committee on facts that may cause significant damage to the Company Group and other important matters in business operations. Directors (excluding Directors who are members of Audit and Supervisory Committee) and employees who have reported to Audit and Supervisory Committee must not be treated disadvantageously for the reason that they submitted a report, and the Company makes that stance known thoroughly. The matters to be reported to the Audit and Supervisory Committee and the methods for reporting are set in consultation with Audit and Supervisory Committee, and Directors (excluding directors who are Audit and Supervisory Committee members) and employees report appropriately.

In addition, conferences and committees attended by a member of the Audit and Supervisory Committee, or whose materials are inspected by a member of the Audit and Supervisory Committee are set in consultation with the Audit and Supervisory Committee, and members of the Audit and Supervisory Committee attend meetings of those conventions and committees or inspect their materials and minutes.

Overview of operating results

Directors and employees report to the Audit and Supervisory Committee as required any facts that may cause significant damage to the Company Group and other important matters concerning business operations, and it is stipulated that anybody who has reported to an Audit and Committee member must not be treated disadvantageously for the reason that they reported.

9. Matters concerning policies related to the processing of expenses, etc., incurred in the execution of duties by members of the Audit and Supervisory Committee

If procedures are undertaken by a member of the Audit and Supervisory Committee for the advance payment or reimbursement of expenses incurred in the performance of the duties of the Audit and Supervisory Committee member, or the Company receives a claim from a member of the Audit and Supervisory Committee for other expenses incurred in the execution of those duties or required for the processing debts, etc., the Company bears those expenses unless they are clearly not required for the execution of the duties of the member of the Audit and Supervisory Committee.

Overview of operating results

Expenses required for the execution of duties by members of the Audit and Supervisory Committee are budgeted at the beginning of the fiscal year as part of normal corporate procedures based on the audit plan, and the Company also bears expenses that become necessary due to reasons not anticipated at the time of budgeting.

10. Other systems to ensure that audits by the Audit and Supervisory Committee are implemented effectively

The Audit and Supervisory Committee holds regular meetings with the Representative Directors to ensure mutual communication, and maintains cooperation with Audit Division, the accounting auditors, and corporate auditors of affiliated companies to strive to secure the effectiveness of audits by the Audit and Supervisory Committee.

Overview of operating results

The Audit and Supervisory Committee holds regular meetings with the Representative Directors to ensure mutual communication.

Furthermore, in addition to regular meetings each quarter with Audit Division and the accounting auditors, the Audit and Supervisory Committee strives to ensure the effectiveness of its audits by holding meetings as required, etc.

2. Basic Approach to the Elimination of Antisocial Forces and the State of Development

1) Basic approach to the exclusion of antisocial forces

(1) The NPR-Riken Group has established guidelines and principles of conduct in its "Code of Conduct" and will cut off relations and not have any involvement with antisocial forces, which are groups or individuals that pursue economic gain through the use of violence, force and fraudulent methods. The NPR-Riken Group apprehends the cutting off of relations with antisocial forces as a serious problem related to legal compliance, eliminates antisocial demands resolutely, and notifies the authorities as required.

(2) The Company avoids handling fraud, extortion and other wrongdoing and crimes related to business individually and approaches such matters with a firm stand as a company.

(3) If employees or other employees are approached in any way by antisocial forces, employees must report the matter promptly to an officer or manager and follow their instructions.

2) State of development of measures for the elimination of antisocial forces

(1) The Company has established a department to deal with antisocial forces within Corporate Management Division and it acts in cooperation with related divisions.

(2) The Company is affiliated with the Metropolitan Police Department's Special Violence Prevention Measures Association (Tokubouren) and the Kojimachi District Special Violence Prevention Countermeasures Council, and receives training, and the department that deals with antisocial forces exchanges information on antisocial forces regularly with external specialist organizations such as the police and lawyers, and with other companies.

VOther

1. Existence or Non-Existence of the Introduction of Anti-Takeover Measures

Existence or Non-Existence of the Introduction of Anti-Takeover Measures

None

Supplementary explanation

2. Other Matters Related to Corporate Governance Systems, etc.

Overview of the Timely Disclosure System

1. Basic policy on timely disclosure


The Company believes that we need to value our connections with the various stakeholders who surround the Company and fulfill our duties as a member of society by doing so. We have established a basic policy of disclosing corporate information fairly, and are working to ensure that all executives and employees are thoroughly aware of this policy and that we disclose corporate information in a timely and appropriate manner.

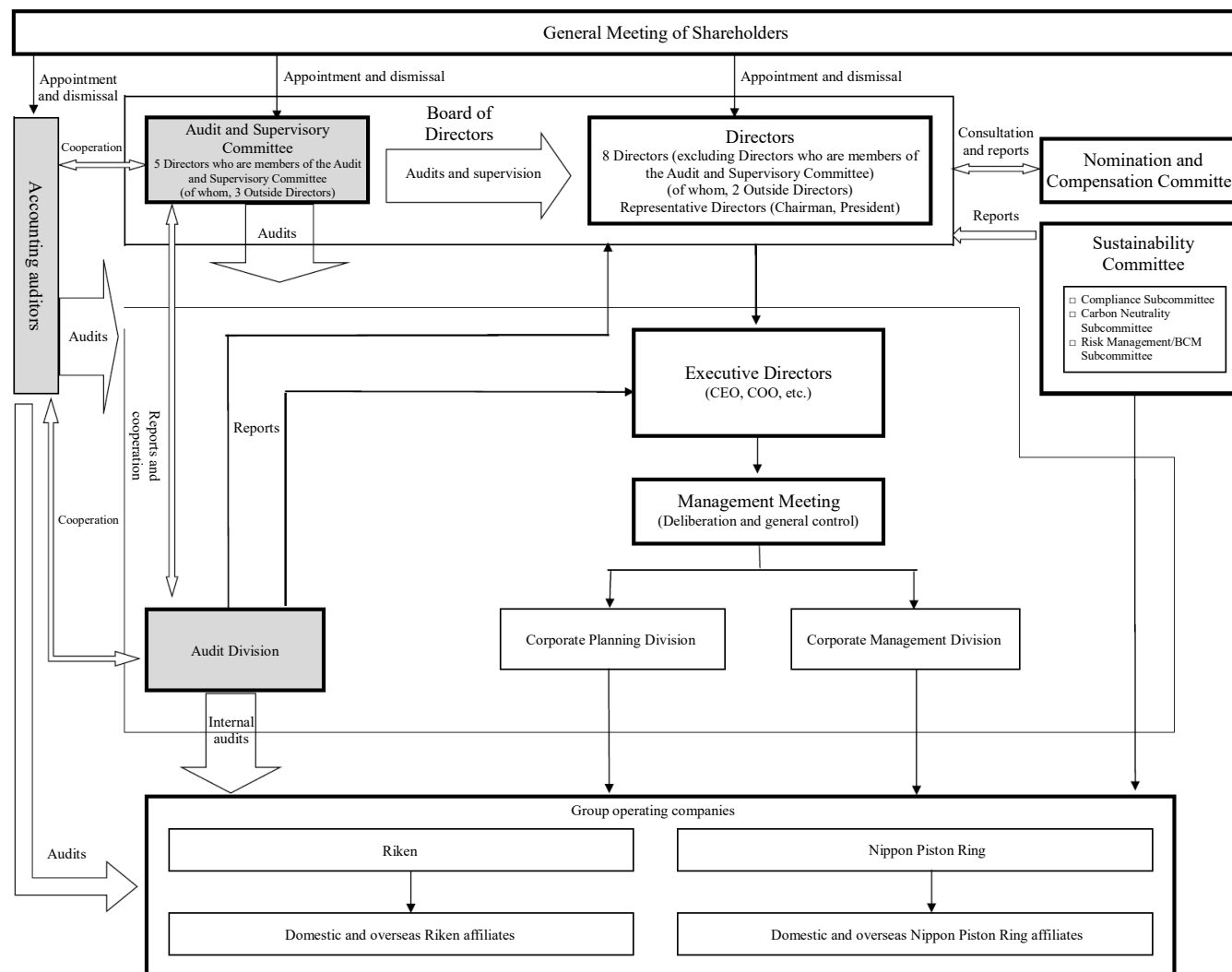
2. Internal systems related to timely disclosure

Corporate Planning Division is in charge of timely disclosure, while Corporate Management Division is in charge of information related to financial results such as securities reports and summaries of financial results. The General Manager of Corporate Planning Division (the person responsible for handling information) collects and manages information regarding the facts of decisions and occurrences, and judges whether or not they fall under the category of timely disclosure items. Information on the facts of important decisions and financial results is submitted to the Board of Directors and disclosed promptly after approval, and the facts of important occurrences are disclosed in a timely manner without delay and reported at a meeting of the Board of Directors.

In building internal systems as a precondition for timely disclosure, we have established "Regulations on the Prevention of Insider Trading" and have built systems for the prevention of insider trading. In addition, the Company has built systems that manages the protection of important information related to management based on the "Information Security Management Regulations."

Schematic Diagram of the Corporate Governance System

*  denotes audit function



Results of the Evaluation of the Effectiveness of the Board of Directors in Fiscal Year 2023

The Company develops systems and operations for further improvement of the quality of the Board of Directors by implementing self-evaluations through questionnaires, aggregating the results and deepening discussions on problems and issues to increase the effectiveness of the Board of Directors.

The overview of the results of the evaluation of the effectiveness of the Board of Directors in fiscal year 2023 is as follows.

1. Evaluation process

A questionnaire comprised of 25 questions in 5 evaluation categories was carried out among all Directors and all members of the Audit and Supervisory Committee.

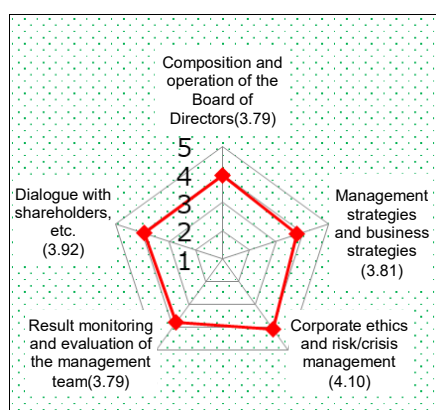
Evaluation categories

- (1) Composition and operation of the Board of Directors
- (2) Management strategies and business strategies
- (3) Corporate ethics and risk/crisis management
- (4) Result monitoring and evaluation of the management team
- (5) Dialogue with shareholders, etc.

2. Evaluation results

- (1) Overview of the evaluation results

The effectiveness of the Board of Directors was evaluated as “secured.”



- [1] With regard to the size and composition of the Board of Directors, it is composed of diverse well-balanced human resources, and systems have been built to exercise supervisory functions over management.
- [2] Free and lively discussions are carried out at meetings of the Board of Directors, and positive and substantive discussions are carried out by all members.

- [3] Outside Directors are briefed on the agenda in advance by the day before a meeting of the Board of Directors and consideration is given so that they can engage in full deliberations.
- [4] In principle, meetings of the Board of Directors are held once a month, and based on the Board of Directors rules, important matters, including important management strategies and business strategies aimed at the improvement of corporate value over the medium to long term, are deliberated in a timely and appropriate manner.
- [5] The results of dialogue with shareholders are reported to the Board of Directors by the division in charge as appropriate.

(2) Future improvement themes

Measures in response to the overall evaluation

The Company will implement beneficial orientations and training for newly appointed Directors.

Measures in response to individual evaluations

The Company will carry out enhanced discussions of the strategic and systematic review of the business portfolio and investment in capital and human resources to use management resources effectively and increase returns that exceed the cost of capital over the medium to long-term.

Measures in response to evaluations of important themes

The Company will carry out enhanced discussions related to human capital management, including a dynamic human portfolio, diversity, equity, inclusion, etc.

Measures in response to comment evaluations

- The Company will carry out effective discussions related to synergistic effects, including the state of PMI and clarification of the division of roles of both parties.
- The Company will carry out effective discussions related to business, such as business ethics and risks.
- The Company will increase the weight of time used on important matters related to management.

Measures considered comprehensively

The Company will hold SR interviews regularly to assist in management decision-making by grasping market evaluations in a timely manner.

Based on the results of the evaluations this time, we will strive continuously for the improvement of the effectiveness of the Board of Directors.