Corporate Governance Report

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NIPPON STEEL TRADING CORPORATION
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The corporate governance of NIPPON STEEL TRADING CORPORATION ("NST") is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

1. NST has established its "Corporate Philosophy," "Management Principles" and "Employee Code of Conduct" as follows, and its Directors, Audit & Supervisory Board Members and employees strives to put them into practice in the daily management and business of NST.

"Corporate Philosophy"

1. Continuing to be a corporate group driven the aspiration of providing goods and services that offer new value to the larger society.
2. Putting trust and reliability first, and by doing so developing together with our customers.
3. Aiming to become the kind of organization that increasingly cultivates, utilizes, and values human resources and their talents.

"Management Principles"

1. Strengthening and expanding the four areas of business that make NIPPON STEEL TRADING CORPORATION the core trading company of the NIPPON STEEL CORPORATION GROUP.
2. Accelerating global strategies.
3. Bringing to bear all of our strengths as a multiple specialty trading company.
4. Enforcing strict corporate compliance.

"Employee Code of Conduct"

We, NIPPON STEEL TRADING GROUP employee, shall realize the Group's corporate philosophy through the observation of the following code of conduct.

Growth	"Realize corporate growth through personal growth." We constantly stay ahead of the times with a sense of professionalism. We study, conduct and take action proactively in order to achieve mutual growth.
Reliability	"Be the one that can be trusted and relied upon constantly." We invest time in daily communication. We establish solid relationships of reliability through mutual respect.
Borderless	"Achieve organizational strength through integration of individuality." We maintain a flexible mind, breaking free of the confines of existing concepts. We bring together individual abilities to demonstrate comprehensive strength in all fields.
Challenge	"Advance to a higher stage with enthusiasm!" We never fear failure and willingly take the first step forward with a positive attitude, enthusiasm, curiosity, and the desire to improve. We are never satisfied with the status quo, have an awareness of potential and existing problems, and generate new value.

2. NST endeavors to enhance its corporate governance based on the principles of the Corporate Governance Code in order to continue to implement the Corporate Philosophy, etc.

3. NST endeavors to achieve sustainable growth and the increase of its corporate value over the mid- to long-term through the continuous improvement of corporate governance under consolidated management.

4. NST has already resolved a "Basic Policy about an Internal Control System" at the meeting of Board of Directors. By operating this policy appropriately, NST further enforces its corporate governance, ensures "compliance with laws and ordinances," "reliability of financial reporting" and "effectiveness and efficiency of operations," and aims to improve it continuously.

5. In NST, the Board of Directors, which is composed of Executive Directors with thorough knowledge about the business and management of NST and two or more Outside Directors with a wealth of experience and deep insight in the area of corporate management, makes decisions about the basic policy of management and important business executions, and also supervises the execution of duties by Directors. Furthermore, Audit & Supervisory Board Members who have strong authority attend the meeting of the Board of Directors and audit the business executions of Directors, etc., from an independent standpoint. NST judges that such structure is effective to ensure the efficiency and soundness of management, and adopts the governance system of a "Company with Audit & Supervisory Board."

6. NST introduces the “Executive Officer System” and targets the efficient operation of the Board of Directors by separating the function of decision-making and supervision and the function of business execution, and adopts a system to promptly cope with changes in the management environment.

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

NST currently complies with all principles of the Corporate Governance Code.

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

(Principle 1-4 Cross-Shareholdings)

1. Policies on cross-shareholdings

Regarding cross-shareholdings (all shares except shares of NST Group companies), the Group will conduct regular evaluations of the holding significance, economic rationale, etc. Shares for which the validity of holding is not recognized will be reduced through adequate dialogue with the counterparty company, etc. as a basic policy.

2. Examination of holding significance and economic rationale

In addition, the Board of Directors regularly verifies and examines whether these cross-shareholdings serve the holding purpose from the medium- to long-term perspective and whether the benefit and risk of holding them are appropriate for the cost of capital, on an individual company basis, to confirm the appropriateness of continuation of those shares.

3. Policies on the exercise of voting rights

Regarding voting rights concerning cross-shareholdings, on the assumption that said shares contribute to NST’s financial performance, voting rights are exercised after each agenda item is appropriately deliberated and judged by the responsible division based on, among others, the financial performance of each company and the votes are approved internally in accordance with the prescribed procedure, in order to contribute to sustainable growth and the increase of the mid- to long-term corporate value of the investee company.

(Principle 1-7 Related Party Transactions)

Regarding transactions (including indirect transactions) between NST and the Directors, NST verifies the contents of each transaction. If the transactions fall under conflict of interest transactions, in accordance with laws, regulations and the Regulations of the Board of Directors of NST, NST seeks approval from, and reports to, the Board of Directors, and confirms that all such transactions will not harm NST.

In addition, regarding transactions between NST, on the one hand, and Audit & Supervisory Board Members and other related parties, on the other hand, NST verifies the contents of each transaction; subject to applicable laws and regulations, NST discloses the transactions appropriately, depending on their importance and nature.

(Supplementary Principle 2-4-1 Ensuring Diversity)

(1) Views on Ensuring Diversity

To realize its Corporate Philosophy and Employee Code of Conduct, NST aspires to create and deliver a rich diversity of values by ensuring that different perspectives are respected and that employees are making the best use of their individuality through effective communication and collaboration. Respect for all human rights is the foundation of corporate activities, and NST will strive to eradicate unjust discrimination based on grounds such as nationality, race, religion, beliefs and creeds, sex, age, sexual orientation, and disability.

NST is once again reinforcing its commitment to diversity and inclusion initiatives with the recognition that, for NST to develop into a strong growth company that contributes to society in the rapidly changing environment surrounding the Company today, it is vital that its employees be able to mutually accept a diverse range of values, achieve high productivity and reach their full potential, and thrive at work with a sense of pride and fulfillment.

(2) Targets for ensuring diversity

With respect to the advancement of women, NST leverages the various systems and workplace environments it has developed thus far to help its female employees realize their potential throughout their careers. While the share of women in management positions is currently 2.5%, NST has set the target of 30% or more for the ratio of women among newly recruited university graduates for career-track positions in order to increase their ratio among core personnel in the future.

In addition, NST continues to recruit fresh graduates from overseas each year, and they are thriving in their respective workplaces in and outside Japan. Mid-career professionals are hired and promoted based on the needs and strategic compositions of workplaces.

(3) Diversity training/workplace development policies and their implementation status

With respect to diversity training/workplace development policies and their implementation status, NST's fundamental views on skills development as well as the content of initiatives on work-life balance, among other things, are described in the Company's Integrated Report.

(Principle 2-6 Exercise of Functions as an Asset Owner of a Corporate Pension Plan)

Decisions regarding asset management of the NST Corporate Pension Fund are made by the Board of Representatives based on deliberations by the Asset Management Committee for the purpose of stable asset building and appropriate management of conflict of interest transactions for beneficiaries. The members of the Asset Management Committee and the Board of Representatives include qualified employees, such as the General Managers of the Finance Department and the Human Resources Department of NST, as well as senior officers of the labor union and other employees as beneficiary representatives. Qualified employees have also been selected and assigned to the secretariat of the Corporate Pension Fund. NST regularly monitors the management status of the plan assets and will continue to make appropriate efforts to improve the environment for the management of money contributed to the Fund. Of note, NST entrusts a pension management company with the corporate

pension plan including the exercise of voting rights, so no conflict of interest arises between the beneficiaries of the plan and NST.

(Principle 3-1 Full Disclosure)

(i) Corporate Philosophy, Management Principles, Employee Code of Conduct and Medium- to Long-Term Management Plan

NST has established its "Corporate Philosophy," "Management Principles" and "Employee Code of Conduct" as mentioned in "I-1. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information – Basic Views" of this report.

NST established the medium- to long-term management plan which set forth the strategy and action plan designed to realize the NST's corporate philosophy and management policies; fulfill NST's corporate social responsibility as a trading company that provides products and services related to food, clothing and housing; strengthen NST's management foundation – including securing and training the people that will be responsible for the next generation – and ensure legal compliance; and achieve greater growth. The management plan was posted on NST's website.

(ii) Basic Views and Guidelines on corporate governance

Please refer to "I-1. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information –Basic Views" in this report.

(iii) Board policies and procedures in determining the remuneration of Directors

NST has established the "Policies Regarding the Determination of the Amount of Remuneration for Directors, Etc." regarding the policies in determining the details of remuneration of each Director, etc.

Each Director's remuneration (excluding Outside Directors) consists only of monthly remuneration in cash, and is based entirely upon the performance of NST, in order to provide incentives for NST's group's sustainable growth and the improvement of its corporate value. Specifically, NST sets the base amount of remuneration for each Director's rank taking into consideration each Director's required skills and responsibilities, and this base amount varies within a specific range, depending on NST's consolidated profit or loss (consolidated ordinary profit or loss, and profit or loss attributable to owners of parent) and each division's consolidated profit or loss, in view of the connection with the annual management plan and the medium-term management plan, and the amount and other details of each Director's remuneration are determined by the Board of Directors within the limits approved by the general meeting of shareholders following the exchange of opinions in the Personnel and Remuneration Committee.

In addition, remuneration for Outside Directors consists only of monthly remuneration in cash in view of their roles and independence from business execution.

Of note, remuneration for Audit & Supervisory Board Members consists of monthly fixed remuneration in cash in consideration of the details of duties independent from business execution. The

amount is determined through consultation with the Audit & Supervisory Board Members within the limits approved by the general meeting of shareholders.

(iv) Board policies and procedures in the appointment/removal of senior management and the nomination of Director and Audit & Supervisory Board Member candidates

1. Policies in the appointment/removal of senior management and the nomination of Director and Audit & Supervisory Board Member candidates

For the appointment of senior management and the nomination of Director and Audit & Supervisory Board Member candidates, NST's policy is to consider not only each individual's experience, insight and expertise, but also the size of each of the Board of Directors and the Audit & Supervisory Board as a whole, and the balance of candidates comprising these respective boards so that NST will establish an optimum board composition in which each individual is able to appropriately fulfill his or her role and responsibilities and properly respond to the management challenges of NST Group's business.

It is NST's policy to remove an individual from the office of senior management if, for example, he/she no longer has the required qualifications outlined above.

2. Procedures for the appointment/removal of senior management and the nomination of Director and Audit & Supervisory Board Member candidates

Particularly important matters such as the appointment/removal of senior management and the nomination/remuneration of Director and Audit & Supervisory Board Member candidates are resolved at the meeting of the Board of Directors following the exchange of opinions in the "Personnel and Remuneration Committee," which is composed of the President and three (3) Independent Outside Directors (including one (1) female Director) who have a wealth of experience and deep insight in the area of corporate management. Regarding Audit & Supervisory Board Member candidates, prior approval by the Audit & Supervisory Board shall be obtained.

(v) Explanations with respect to the individual appointments/removals and nominations based on iv)

NST explains each individual in the appointment/removal of senior management and in the nomination of Director and Audit & Supervisory Board Member candidates, by, for example, indicating each individual's brief personal history and reasons for nomination in the reference documents attached to the convocation notice for the general meeting of shareholders and indicating NST's officer system, including the allocation of each Executive Officer's responsibilities, the designation of managerial positions, and other related matters, in press releases related to officers' personnel matters.

(Supplementary Principles 3-1-3 Sustainability Initiatives, etc.)

These matters are described in "Implementation of Environmental Activities, CSR Activities etc." under "3. Measures to Ensure Due Respect for Stakeholders" in "III. Implementation of Measures for Shareholders and Other Stakeholders" below.

(Supplementary Principles 4-1-1 Roles and Responsibilities of the Board (1))

The Board of Directors decides important business execution matters stipulated in laws, regulations, the Articles of Incorporation, and internal regulations such as the "Regulations of the Board of Directors" and other important managerial matters such as the disposal and acceptance of the transfer of important assets (including investments and loans), the borrowing of a significant amount (including financial plans or guarantees of obligations), the appointment of an important employee, and the establishment or changes of important structures.

The Board of Directors delegates NST's general policy of business execution or the execution of important matters on business operations to the President and the Executive Officers.

Executive Directors, etc., report on the status of the execution of duties to the Board of Directors in accordance with the Regulations of the Board of Directors, and the Board of Directors supervises the status of execution through said report.

(Principle 4-9 Independence Standards and Qualification for Independent Outside Directors)

NST decides the independence of Outside Directors in accordance with the independence standards set by the Tokyo Stock Exchange, considering each individual's personal relationship, capital relationship, transactional relationship and other interests with NST.

(Supplementary Principle 4-10-1 Nomination Committee/Remuneration Committee)

These matters are described in "(iv) Board policies and procedures in the appointment/removal of senior management and the nomination of Director and Audit & Supervisory Board Member candidates" under "Principle 3-1 Full Disclosure" above.

(Supplementary Principles 4-11-1 Composition of the Board)

To enable prompt decision-making and to establish an effective corporate governance system responding to changes in the management environment, the size of NST's Board of Directors shall be set appropriately for the NST Group's business lineup and management challenges, and when selecting its members, the composition of the Board of Directors as a whole in terms of experience, insight and expertise of the members, as well as diversity including gender, internationality, work experience, and age, shall be considered.

The Articles of Incorporation provide that the number of Directors will be fifteen (15) or less, and the number of Audit & Supervisory Board Members will be three (3) or more. Currently, nine (8) Directors and four (4) Audit & Supervisory Board Members have been elected.

The Board of Directors consists of six (5) Executive Directors who have thorough knowledge about the business and management of NST and three (3) Independent Outside Directors, including one (1) female Director, who have a wealth of experience and deep insight in the area of corporate management.

In addition, in accordance with the management strategies developed for the implementation of NST's Medium- to Long-term Management Plan, NST has defined a set of skills expected of Directors and

created a skills matrix listing such skills, along with the skills they possess. The skills matrix has been published on NST's website, etc. Regarding the procedure for electing Directors, please refer to Principle 3-1 (iv).

(Supplementary Principle 4-11-2 Positions Concurrently Held by Directors and Audit & Supervisory Board Members)

When deciding Director and Audit & Supervisory Board Member candidates, NST confirms that each candidate is able to appropriately fulfill his or her role and responsibilities, including confirming whether the candidate concurrently serves as an officer at other listed companies. Whether Directors and Audit & Supervisory Board Members serve concurrently as officers at other listed companies is disclosed every year in the reference documents attached to the convocation notice for the general meeting of shareholders, the business report, the securities report, etc.

(Supplementary Principle 4-11-3 Analysis and Evaluation of the Effectiveness of Board of Directors)

NST analyzes and evaluates the effectiveness of Board of Directors as a whole once a year based on the results of quantitative analysis in comparison with prior years regarding the number of proposals submitted and reported to the Board of Directors and discussion time, etc., which are conducted by the Office of the Board of Director, and the results of self-evaluation and opinions regarding the operation, etc. of the Board of Directors, which are obtained through a questionnaire and an interview of each Director and Audit & Supervisory Board Member. NST makes use of the results of the analysis and evaluation to improve the future operation, etc. of the Board of Directors.

NST evaluated the effectiveness of Board of Directors in FY2020 (the meeting of the Board of Directors held in June 2021) and, as a result, the Board of Directors was judged to be effective from the comprehensive viewpoint. This was mainly because respective proposals submitted and reported to the Board of Directors were resolved through questions and deliberations from diverse perspectives by inside and outside officers in accordance with the Companies Act and internal rules.

Going forward, NST strives to further strengthen the function of the Board of Directors by further emphasizing, enhancing and advancing reports and deliberations by the Board of Directors based on the opinions from Directors and Audit & Supervisory Board Members in the evaluation of the effectiveness in FY2020 from the viewpoint to further improve the effectiveness. NST will also reinforce the function of supervision to ensure the transparency of management primarily by deepening discussions on overall management issues under the governance system in which at least one-third of the Directors are Independent Outside Directors.

(Supplementary Principle 4-14-2 Directors and Audit & Supervisory Board Members Training)

NST explains its Corporate Philosophy, the details of NST Group businesses, etc., to each Outside Director and Outside Audit & Supervisory Board Members at its assumption. NST also explains to Directors and Audit & Supervisory Board Members, both of whom were employees of NST, their

responsibilities as Directors and Audit & Supervisory Board Members based on the Company Act and other important laws and the policies and procedures related to the business when they take office.

In addition, NST conducts necessary training to all Directors and Audit & Supervisory Board Members as appropriate.

(Principle 5-1 Policy for Dialogue with Shareholders)

NST, to the extent reasonable, responds to the requests from shareholders to engage in dialogue so as to support its sustainable growth and increase corporate value over the mid- to long-term. The dialogue with shareholders is handled by the Director in charge of the Accounting & Finance Department. Related Executive Officers and internal departments including the General Affairs & Cooperate Communication Department and the General Affairs & Corporate Communication Department coordinate and cooperate with said Directors. In addition to striving to actively provide information to the shareholders and sincerely responding to their questions and comments in the general meeting of shareholders, NST holds IR meetings for institutional investors on a regular basis and responds to requests to hold individual meetings from institutional investors. The opinions and other comments received from the shareholders and investors through the aforementioned initiatives are reported back to the Board of Directors, etc.

In engaging in dialogue with shareholders, NST ensures that the intent and purpose of Fair Disclosure Rule are respected and appropriately manages Insider information (undisclosed material facts) in accordance with the "Rules to Comply with Insider Trading Regulations."

2. Capital Structure

Foreign Shareholding Ratio	10% to less than 20%

[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
Nippon Steel Corporation	11,141,529	34.54
Mitsui & Co., Ltd.	6,428,800	19.93
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,151,100	6.67
Custody Bank of Japan, Ltd. (Trust Account)	1,315,700	4.08
Custody Bank of Japan, Ltd. (Trust Account 9)	482,600	1.50
Employee Stock Ownership	473,514	1.47
DFA INTL SMALL CAP VALUE PORTFOLIO	306,380	0.95
Custody Bank of Japan, Ltd. (account re-entrusted by the Mitsui Sumitomo Trust & Banking Co., Ltd., account for retirement benefit trust by Nippon Denko Co., Ltd.)	216,000	0.67
Custody Bank of Japan, Ltd. (Trust Account 4)	210,148	0.65
JP Morgan Chase Bank 385781	199,070	0.62

Controlling Shareholder (except for Parent Company)	No
Parent Company	No

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Wholesale Trade
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	More than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 to less than 100

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

Not adopted

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

Nippon Steel Corporation and Mitsui & Co., Ltd. are companies which have a continuous and close business relationship with NST, and NST is an equity method affiliated Company of these two companies. However, NST independently makes and executes its management policy and business plan, and operates its daily business and transactions. Therefore, independency is secured.

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

1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	Not more than 15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President

Number of Directors	8
Appointment of Outside Directors	Appointed
Number of Outside Directors	3
Number of Independent Directors	3

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Keishiro Kinoshita	From another company								△			
Ryuko Inoue	Lawyer											
Ryu Matsumoto	From another company								△			

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;
"▲"when a close relative of the director fell under the category in the past

a. Executive 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 company 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 listed company or an executive thereof
f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/Audit & Supervisory Board Member
g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier company 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 outside directors/Audit & Supervisory Board Members 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

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Keishiro Kinoshita	○	Mr. Kinoshita is appointed as an Independent Director. Mr. Kinoshita was an employee or officer of The Industrial Bank of Japan, Ltd. (Currently Mizuho Bank, Ltd.),	<Reason for appointment as an Outside Director> Mr. Kinoshita assumed office as an Outside Director of the Company in June 2016. Based on his knowledge and experience gained through many years of service at financial

		Mizuho Corporate Bank, Ltd. (Currently Mizuho Bank, Ltd.) and Sompo Japan Insurance Incorporation (Currently Sompo Japan Nipponkoa Insurance Incorporation). NST has loans for working capital from Mizuho Bank, Ltd. NST has transactions with Sompo Japan Nipponkoa Insurance Inc., and the transaction value between NST and said company is less than 0.1% of NST's selling, general and administrative expenses.	institutions and in the course of his career at listed companies, he has been expressing opinions about proposals etc. appropriately. The Company judges that he is suitable for the position of Outside Director for the above reasons. <Reason for appointment as an Independent Director> More than ten (10) years has passed since he retired from Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.) and NST judges a conflict of interest with general shareholders will not arise.
Ryuko Inoue	○	Ms. Inoue is appointed as an Independent Director.	<Reason for appointment as an Outside Director> Ms. Inoue has many years of experience at the Ministry of Agriculture, Forestry and Fisheries and has knowledge, experience, etc. gained as an attorney-at-law. The Company judges that she is suitable for the position of Outside Director for the above reasons. <Reason for appointment as an Independent Director> NST has neither entered into a consulting agreement with Ms. Inoue nor Atsumi & Sakai of which she is a member, and has not entrusted her with individual legal services for NST. NST judges a conflict of interest with general shareholders will not arise.
Ryu Matsumoto	○	Mr. Matsumoto is appointed as an Independent Director. Mr. Matsumoto was an employee or officer of Seibu Department Stores, Ltd. (Currently Sogo & Seibu Co., Ltd.) and Seven & i Holdings Co., Ltd. NST has transactions with Sogo & Seibu Co., Ltd. and Nissen Holdings Co., Ltd., which is a subsidiary of Seven & i Holdings Co., Ltd. The	<Reason for appointment as an Outside Director> Mr. Matsumoto has a wealth of business experience in the distribution industry over years. He has knowledge on overall management mainly because he assumed office as Representative Director and President of Sogo & Seibu Co., Ltd. and possesses deep insight and ability. NST judges that he is suitable for the position of Outside Director for the above reasons. <Reason for appointment as an Independent Director>

		transaction value between NST and each of said companies is less than 0.1% of NST's net sales.	Mr. Matsumoto does not have a special interest with NST. NST judges a conflict of interest with general shareholders will not arise.

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

Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Personnel and Remuneration Committee	Personnel and Remuneration Committee
All Committee Members	4	4
Full-time Members	0	0
Inside Directors	1	1
Outside Directors	3	3
Outside Experts	0	0
Other	0	0
Chairperson	Inside Directors	Inside Directors

Supplementary Explanation

At the Personnel and Remuneration Committee, whose chairperson is the president and members are all Outside Directors, opinions are exchanged on particularly important matters such as the nomination of candidates for Directors and the remuneration of Directors. In the previous fiscal year, the Committee held a meeting twice, in which Outside Directors got involved and gave advice in an appropriate manner.

【Audit & Supervisory Board Members】

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	Not stipulated
Number of Audit & Supervisory Board Members	4

Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Departments

Audit & Supervisory Board receives audit report from Accounting Auditor, and fulltime Audit & Supervisory Board Members hold information exchange meetings with Accounting Auditor and Internal Auditing Department once every three months, thus mutual cooperation is enforced. Audit & Supervisory Board Members attend Auditing Meetings and Audit Reporting Meetings at which the members are

Directors, etc., and exchanges opinions regarding the yearly auditing plan, auditing results or improvement ideas, thus endeavoring to strengthen internal control functions for sound management.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	2
Number of Independent Audit & Supervisory Board Members	1

Outside Audit & Supervisory Board Members's Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Shigeji Sugimoto	CPA								△					
Hirofumi Funakoshi	From another company						○	○		○				

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;
"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiary
b. Non-executive director or accounting advisor of the Company or its subsidiaries
c. Non-executive director or executive of a parent company of the Company
d. Audit & Supervisory Board Member of a parent company of the Company
e. Executive of a fellow subsidiary company of the Company
f. A party whose major client or supplier is the Company or an executive thereof
g. Major client or supplier of the Company or an executive thereof
h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Audit & Supervisory Board Member
i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)
k. Executive of a company, between which and the Company outside directors/Audit & Supervisory Board Members are mutually appointed (the Audit & Supervisory Board Member himself/herself only)
l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
m. Others

Outside Audit & Supervisory Board Members's Relationship with the Company (2)

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
Shigeji Sugimoto	○	Mr. Sugimoto was involved with financial audit as a certified public accountant in Deloitte Touche Tohmatsu LLC, the accounting auditor of NST, and retired from said LLC in December, 2015. Mr. Sugimoto has never been involved with a financial audit of NST.	<Reason for appointment as an Outside Audit & Supervisory Board Member> NST asks Mr. Sugimoto to reflect his professional perspective and experience as CPA in the audit engagements of NST. <Reason for appointment as an Independent Audit & Supervisory Board Member > More than five (5) years has passed since he retired from Deloitte Touche Tohmatsu LLC and NST judges a conflict of interest with general shareholders will not arise.
Hirofumi Funakoshi		Mr. Funakoshi is a Managing Executive Officer of Nippon Steel Corporation. NST and said company are in a major business relationship, and said company is a major shareholder of NST (1st place).	<Reason for appointment as an outside Audit & Supervisory Board Member> Mr. Funakoshi has many years of rich experience in the steel business. NST judges that he is capable of performing the duties as an Outside Audit & Supervisory Board Member appropriately by reflecting his many years of experience in and deep insight about the steel industry in auditing of the Company.

[Independent Directors/Audit & Supervisory Board Members]

Number of Independent Directors/Audit & Supervisory Board Members	4

Matters relating to Independent Directors/Audit & Supervisory Board Members

NST appoints all Outside Directors/Audit & Supervisory Board Members who have the qualifications of Independent Directors/Audit & Supervisory Board Members as Independent Directors/Audit & Supervisory Board Members.

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration

Supplementary Explanation

As described earlier in (Principle 3-1 Full Disclosure), (iii) Board policies and procedures in determining the remuneration of Directors.

Recipients of Stock Options	

Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure

Supplementary Explanation

In business reports, NST discloses the total amount of remuneration, etc. by type in each of the following categories: Directors (excluding Outside Directors), Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members), Outside Directors and Outside Audit & Supervisory Board Members.

Officer's remuneration for FY2020 (from April 1, 2020 to March 31, 2021) are as follows:
Eleven (11) Directors (excluding Outside Directors): 321 million yen (fixed compensation: none, performance-linked remuneration: 321 million yen)
Two (2) Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members): 44 million yen (fixed compensation: 44 million yen, performance-linked remuneration: none)
Three (3) Outside Directors: 31 million yen (fixed compensation: 31 million yen, performance-linked remuneration: none)
Two (2) Outside Audit & Supervisory Board Members: 8 million yen (fixed compensation: 8 million yen, performance-linked remuneration: none)

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

As described earlier in (Principle 3-1 Full Disclosure), (iii) Board policies and procedures in determining the remuneration of Directors.

[Supporting System for Outside Directors and/or Audit & Supervisory Board Members]

To support the duties of Outside Directors, the General Affairs & Corporate Communication Department serves as a contact point and supplies necessary information appropriately.

To support the duties of Outside Audit & Supervisory Board Members, NST established the Office of the Audit & Supervisory Board and assigns employees.

The General Affairs & Corporate Communication Department also supplies Outside Directors and Audit & Supervisory Board Members with necessary support such as providing the notice of the meetings of Board of Directors or of its change, sending the materials for the meetings of Board of Directors in advance, and explaining the resolution matters for the meetings of Board of Directors in advance.

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

NST ensures thorough implementation of the "Basic Policy About an Internal Control System" described in "IV. Matters Related to the Internal Control System" to further strengthen its corporate governance and endeavors to ensure, and continuously enhance, compliance, the reliability of financial reporting, and the effectiveness and efficiency of operations.

NST introduces the "Executive Officer System" and targets the efficient operation of the Board of Directors by separating the function of decision-making and supervision and the function of business execution, and adopts the management system to promptly cope with changes in the management environment.

(1) Board of Directors

The Board of Directors is organized by all Directors. Meeting of Board of Directors is held once every month. Important matters related to management are determined and the business execution of each Director is supervised.

(2) Personnel and Remuneration Committee

The appointment of senior management and the nomination of Director and Audit & Supervisory Board Member candidates are resolved at the meeting of the Board of Directors following the exchange of opinion in the Personnel and Remuneration Committee, which is composed of the President and three (3) Outside Directors. Each Director's remuneration is also resolved at the meeting of Board of Directors following the exchange of opinion in the Personnel and Remuneration Committee.

(3) Governance Committee

Basic policies and measures for the enhancement of corporate governance are discussed and reviewed by the Governance Committee, composed of the President, Director of the Corporate Planning & Administration Division, Outside Directors and Outside Audit & Supervisory Board Members, from a

broad range of perspectives based on the Corporate Governance Code and other basic principles in preparation for the deliberation and discussion at the meeting of the Board of Directors.

(4) Audit & Supervisory Board Members

Audit & Supervisory Board Members attend important meetings such as meeting of Board of Director or Management Meeting to supervise the condition of business execution by Directors. Audit & Supervisory Board Members have the right to inspect all draft plans and reports on the database, claim Directors report in case of necessity, and state opinion at the meeting.

(5) Accounting Auditor

NST requests Deloitte Touche Tohmatsu LLC to execute financial audits in accordance with the Companies Act, and financial statements audits and internal control audits in accordance with the Financial Instruments and Exchange Act. The Accounting Auditor, Audit & Supervisory Board Members and Internal Control & Audit Department exchange information regularly and in mutual cooperation.

(6) Management Meeting

The Management Meeting is organized by Directors who serve as Executive Officers or Senior Advisors concurrently. It is held twice per month in principle. The policy of important business execution matters and other important matters related to management are discussed and the inquiries of the President are answered. Audit & Supervisory Board Members have the right to attend the meeting and give his/her opinion.

(7) Establishment of various committees for the business execution system

NST establishes various committees to act as advisory bodies for the Management Meeting with the aim of further promoting sustainability (corporate governance, etc.).

(a) Investment and Loan Committee

To investigate and examine investment and loan matters before the Management Meeting.

(b) ESG Committee

To conduct a comprehensive and cross-organizational examination of basic policies and measures on issues related to the promotion of NST's ESG management.

The Environment Meeting, Society Meeting, and Governance Meeting are established as subordinate bodies.

(c) Risk Management Committee

To manage risks faced by the Group in a comprehensive and cross-organizational manner and, with the aim of building a risk-resilient corporate structure, monitor the operation status of each risk

management solution and identify and address new and existing risks across NST, so as to promote and establish risk management practices throughout the NST Group.

(8) Internal Auditing

The Internal Control & Audit Department is established as a department engaged in internal controls and auditing. It regularly audits validity and efficiency of business execution by NST and group companies in Japan and foreign countries.

The Department, when appropriate, reports to the Risk Management Committee risks that may have a material impact on the business of NST, works with various functional departments to provide support and guidance to mitigate such risks, and reviews the results of its activities through internal auditing.

(9) Outline of Contract for Limitation of liability

NST concluded contracts for the limitation of liability for damages to the extent of the Minimum Liability Amount stipulated in Article 425, paragraph 1 of Companies Act with Directors (excluding Executive Director) and Audit & Supervisory Board Members in accordance with Article 427, paragraph 1 of the Companies Act, and Article 27, paragraph 2 and Article 38, paragraph 2 of the Articles of Incorporation.

3. Reasons for Adoption of Current Corporate Governance System

In NST, the Board of Directors, which is composed of Executive Directors with thorough knowledge about the business and management of NST and two or more Outside Directors with a wealth of experience and deep insight in the area of corporate management, makes decisions about the basic policy of management and important business executions, and also supervises the execution of duties by Directors. Furthermore, Audit & Supervisory Board Members who have strong authority attend the meeting of the Board of Directors and audit the business executions of Directors, etc., from an independent standpoint. NST judges that such structure is effective to ensure the efficiency and soundness of management, and adopts the governance system of a "Company with Audit & Supervisory Board."

Two (2) persons among four (4) Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members. These Outside Audit & Supervisory Board Members have a wealth experience and a broad perspective in various fields as CPA or in the operation of companies. NST strengthens the monitoring and supervising function of the Board of Directors, which has decision-making and supervising of business authority.

Each Audit & Supervisory Board Member makes mutual cooperation to execute the daily audit engagements according to the schedule and makes decisions objectively about the legitimacy of the Directors' business execution and the validity and rationality of operational judgment with independent perspectives at meeting of Board of Directors or other important meetings. Thus, NST considers that the monitoring and supervising function in NST works thoroughly.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	In 2021, it was dispatched on June 4th, though the deadline stipulated in the Companies Act was June 14th.
Scheduling AGMs Avoiding the Peak Day	NST makes effort to schedule annual general meeting of shareholders avoiding the Peak Day, however, NST may schedule it on the Peak Day due to the reason of reserving a place.
Allowing Electronic Exercise of Voting Rights	From 2016, NST allowed Electronic Exercise of Voting Rights in order to improve the convenience of exercising shareholder rights.
Participation in Electronic Voting Platform	From 2016, NST participated in Electronic Voting Platform in order to improve the convenience of exercising shareholder rights.
Providing Convocation Notice in English	From 2015, the summarization of convocation notice in English was posted on NST's website.
Other	The convocation notice and resolution notice of general meeting of shareholders were posted on NST's website. NST is targeting visualization such as projecting the business reports on to a wide screen at the general meeting of shareholders.

2. IR Activities

	Supplementary Explanations
Regular Investor Briefings for Analysts and Institutional Investors	NST holds IR explanation meeting for analysts and institutional investors twice per year. (Last year, only one meeting was held during the year due to the effects of COVID-19, etc.)
Posting of IR Materials on Website	Quarterly financial results, year-end financial results, supplementary documents, quarterly reports and securities reports were posted on NST's website. The convocation notice and resolution notice of the general meeting of shareholders and documents concerning timely disclosure to the Tokyo Stock Exchange are also posted on NST's website. English translation of the convocation notice (summarize) and resolution notice of the general meeting of shareholders, and financial results are posted on NST's website. English translation of main news releases also posted on NST's website.
Establishment of Department and/or Manager in Charge of IR	Some employees in the Accounting & Finance Department are assigned as persons in charge of IR, and other departments in the Corporate Planning & Administration Division support them.

Other	Executive vice president is a responsible person of IR.

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Implementation of Environmental Activities, CSR Activities etc.	(Supplementary Principles 3-1-3 Sustainability Initiatives, etc.) (1) Views on sustainability Against the backdrop of environmental issues such as climate change and pressing social problems such as human rights issues, businesses are expected to make a greater contribution to sustainability—in other words, the sustainability of the global environment, society, and economy. NST has set out "Continuing to be a corporate group driven by the aspiration of providing goods and services that offer new value to the larger society" as its Corporate Philosophy, and recognizes that continuing to deliver products and services catered to the needs of society and customers amidst the rapidly changing business environment is vital to NST's sustainable growth. NST Group considers it its mission to continuously make contributions to the realization of sustainable society by pursuing the following two goals: "Contributing to the sustainability of the global environment, society, and economy" and "Achieving sustainable growth as a corporation." (2) Main sustainability initiatives In order to contribute to the realization of sustainable society, NST is pursuing initiatives for ESG (Environmental, Social, and Governance) management. In its Medium- to Long-term Management Plan announced in May 2021, NST has positioned "escalation of ESG management" as one of the key measures and specified six priority issues (materiality) to be addressed in relation to ESG management. <Priority issues to be addressed in relation to ESG management> (materiality) • Contribution to the realization of a decarbonized society and environmental conservation • Contribution to the development of national land and regional communities • Contribution to the realization of a circular economy and sustainable living

	• Integrated optimization of the supply chain • Utilization of diverse human resources • Management based on trust and reliability (3) Sustainability Promotion Framework NST has established a sustainability promotion framework by creating the SDG Promotion Department in October 2020 and by forming the ESG Committee as well as its subordinate bodies—the Environment Meeting, Society Meeting, and Government Meeting—in November 2021 to provide a forum for comprehensive and cross-organizational discussion on basic policies and measures with respect to issues related to the "escalation of ESG management." Incidentally, NST issued its first Integrated Report in November 2021, where its sustainability initiatives are disclosed. In addition, NST has set up the Risk Management Committee to strengthen its risk management efforts. (4) Investment on human resources and intellectual property NST actively invests in human capital in order to develop and train human resources and to promote diversity. With respect to human resources development, NST has implemented a management skills improvement program targeting current and future managers and enhanced its educational training program to support employees to take an active and independent approach to career development, with the aim of developing the next generation of executives and leaders and realizing a diverse range of career tracks for employees. To promote diversity, NST continues to recruit personnel to achieve its growth strategy and will also take active steps to recruit women, foreign nationals, and mid-career professionals. On June 13, 2018, NST was certified by the Ministry of Health, Labour and Welfare as a Company that Promotes Women's Participation and Advancement in the Workplace and received a 2-star "Eruboshi" certification. In September of 2018, NST was also certified by the same Ministry as a Childcare Support Company based on the Act on Advancement of Measures to Support Raising Next-Generation Children and earned the "Kurumin" certification as a Company that Provides Support for Childcare. NST subsequently introduced additional initiatives

	and received the “Platinum Kurumin” certification as an Outstanding Childcare Support Company on August 27, 2021. Details of these initiatives are available on NST’s website and Integrated Report. With respect to investment in intellectual property, NST is pursuing digitalization throughout and at all stages of transactions related to trading, NST’s leading business model, with the aim of playing a leading role in the supply chain. NST will actively invest in intellectual property through system development and other means and continue to acquire patents and trademarks to expand the sales of products handled by the NST Group. (5) Impact of risks and profit-earning opportunities pertaining to climate change on NST’s corporate activities and profits Regarding the disclosure of the impact of risks and profit-earning opportunities pertaining to climate change on NST’s corporate activities and profits, NST will take steps so as to be able to disclose such information in accordance with the TCFD framework or equivalent.
Development of Policies on Information Provision to Stakeholders	NST executes timely disclosure appropriately in accordance with laws and regulations such as the Companies Act and the Financial Instruments and Exchange Act, and securities listing regulations of stock exchanges. NST endeavors to supply information such as other press releases or various information on NST's website, which is different from the disclosure in accordance with laws and regulations. NST performs IR activities for investors and endeavors to fulfill and improve it.

IV. Matters Related to the Internal Control System

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

"Basic Policy about an Internal Control System"

NST clarifies its basic attitude to regard compliance as important in accordance with the Corporate Philosophy, Management Principles and Employee Code of Conduct.

NST implements and operates internal control appropriately, further strengthens its corporate governance, endeavors to ensure "compliance with laws and ordinances," "reliability of financial reporting" and "effectiveness and efficiency of operations," and aims to improve it continuously.

1. System to ensure the compliance of Directors' business execution with laws, regulations and the Articles of Incorporation (In this chapter, hereinafter called "Laws, etc.")

The Board of Directors makes decisions and receives reports about important matters of management in accordance with the Regulations of Board of Directors, etc.

Executive Directors (Directors who serve as Executive Officers concurrently) perform business execution in accordance with the division of business responsibilities, supervise employees' business execution and reports to the Board of Directors in accordance with the resolution matters of the Board of Directors.

In case Directors find other Director's action in non-compliance with Laws, etc., he/she shall report to the Audit & Supervisory Board Members and the Board of Directors immediately, and Audit & Supervisory Board Members and the Board of Directors shall promptly take corrective action and thus the soundness of Directors' business execution shall be maintained.

2. System for storage and preservation of information related to Directors' business execution

Various information related to business execution such as the minutes of the Meeting of Board of Directors shall be preserved appropriately after the responsible person is clarified and the confidentiality level is set in accordance with the Information Management Regulations and Information Security Basic Regulations.

NST aims to disclose important information such as management plans or financial information appropriately in a timely manner, in addition to the method stipulated in laws and ordinances.

3. Regulations concerning the Risk of Loss Management and other Systems

Each Executive Director and Executive Officer shall understand and estimate business risk (investment and loan risk, etc.) executed by the department and branch which he/she manages or takes charge of, and perform duties based on the authority and responsibilities specified in the regulations. For each risk,

necessary regulations (Investment and Loan Management Regulations, etc.) shall be established and a committee (Investment and Loan Committee, etc.) meeting shall be held to make examinations.

Regarding risks relating to industrial safe and health, product safety and quality, etc., a section in charge shall establish regulations, etc. and convey them to each department and branch, understand and evaluate the management status of each department and branch through monitoring, etc., and then give appropriate guidance and advice.

In addition, NST shall establish a risk management committee that manages risks faced by the NST Group as a whole in a comprehensive and cross-organizational manner and steadily implement the PDCA process for risk management by identifying, evaluating, and addressing the risks in advance.

In the case of accident, disaster or compliance issue, etc. that affects NST's management seriously, NST holds the Crisis Management Headquarters immediately to minimize the loss and influence, etc., and takes necessary measures promptly in accordance with the direction of the President.

NST has already established the "Crisis Management Manual" to prepare for the occurrence of accidents and incidents in NST and its subsidiaries, and implements the corporate structure to immediately report to top management.

4. System to ensure efficient performance of Directors

Important individual execution matters such as management plans, business strategy and investment and loans shall be determined by the Board of Directors through discussion at the Management Meeting, etc.

The matters in accordance with the determination of the Board of Directors, etc., shall be executed by the Representative Director, each Executive Director, each Executive Officer and each general manager.

The division of business responsibilities, direction line or authorization process shall be prescribed by the "Regulations Concerning Organizational Structure and Division of Business Responsibilities" and "Table of Authorization Standards," and their authority and responsibilities are clarified.

5. System to ensure the compliance of employees' business execution with Laws, etc.

NST shall construct and implement the internal control system based on three lines of defenses, including the first line of defense comprised of department(s) engaged in sales, etc., the second line of defense including department(s) engaged in functions that are mainly comprised of the Corporate Planning & Administration Division and each sales planning department, and the third line of defense comprised of department(s) engaged in internal controls and auditing.

The department(s) engaged in sales, etc. shall construct and implement the internal control system based on autonomous internal control, and each department shall manage the operation of internal control at its own initiative under the responsibility of each Executive Officer who supervises such department.

The department(s) engaged in functions shall identify and evaluate risks surrounding the companies, construct a framework to control risks in cooperation with the department(s) engaged in sales, etc. and

provide the department(s) engaged in sales, etc. with necessary support, as well as take appropriate actions including education and enlightenment.

The department(s) engaged in internal controls and auditing shall confirm and evaluate appropriateness of the structural and operational conditions of the internal control system of the entire Group while ensuring independence and keeping the objective standpoint.

Each division shall comply with various laws and ordinances related to its business and enforce them, and aim to prevent non-compliance activities. In case of discovery of an activity or fact which may not comply with Laws, etc., prompt report shall be sent to department(s) engaged in functions and the department(s) engaged in internal controls and auditing.

After the receipt of a report, the department(s) engaged in functions and the department(s) engaged in internal controls and auditing shall cooperate with each other, correct the issue and aim to prevent its re-occurrence.

These departments shall report important facts such as violations of laws and ordinances to the Board of Directors, etc.

Employees shall comply with laws, ordinance and regulations, and have the responsibility to do his/her work appropriately. NST shall establish regulations to comply with Laws, etc., and implement and operate employee education such as seminars or instructional manuals to comply with Laws, etc. Employee who conducts non-compliance actions shall be reprimanded in accordance with the "Reward and Punishment Regulations."

6. System to ensure the appropriateness of business executed by NST and its subsidiaries

NST and each subsidiary shall establish internal regulations to ensure the appropriateness of business in accordance with the Corporate Philosophy, Management Principles and Employee Code of Conduct, and hold business strategy in common based on the business characteristics of each division and subsidiary. Thus, NST and each subsidiary shall operate as a single group.

Each Executive Director, Executive Officer and general manager in NST and the directors of each subsidiary shall have employees fully understand the Corporate Philosophy, Management Principles, Employee Code of Conduct and regulations, and perform self-check and monitoring.

The department in charge of the management of each subsidiary shall operate the subsidiary appropriately in accordance with the "Subsidiary Management Regulations," the "Subsidiary Management Standards," etc., under the responsibility of the Executive Officer who supervises such department.

NST shall dispatch its Executive Directors, Executive Officers or employees to subsidiaries as Directors or Audit & Supervisory Board Members in case of necessity, and ensure the appropriateness of business execution.

The department(s) engaged in internal controls and auditing shall cooperate with the department(s) engaged in functions, instruct and support the internal control system of NST and its subsidiaries, hold information with the subsidiary in common, and aim to fulfill the internal control.

NST has already established the “Compliance Hotline System” as a reception point of Internal Reporting related to the risk of business operations, and keeps the confidentiality of reports strictly and never treats reporters unfavorably.

NST and its subsidiaries shall never have any relationship with anti-social forces. In case NST or subsidiaries receive unreasonable demands from anti-social forces, they shall take action in a resolute attitude.

The concrete system is as follows.

(1) System about reports on business execution by directors of subsidiaries to NST

Each subsidiary shall report important matters such as business plans, settlement, investment and loans to NST regularly and in case of necessity, and NST shall give said subsidiary instructions and advice.

(2) Regulations related to the risk management of loss of subsidiaries and other systems

Each subsidiary shall monitor the risk of business operations in normal times, and take measures to decrease the extracted risk.

NST has already established the “Emergency Report System” as a reporting method about the risk of loss in NST and its subsidiaries, and has already prepared the “Crisis Management Manual” for contingencies.

(3) System to ensure efficient performance of subsidiary's Directors

Each subsidiary shall establish regulations related to the organizational structure, the division of business responsibilities and authorities, and execute its business through the determination of important matters by the Board of Directors. NST shall evaluate subsidiaries with its achievements and operations, and support their management.

(4) System to ensure compliance of Directors’ and employees’ business execution of the subsidiaries with Laws, etc.

Each department in charge of the management of a subsidiary shall require the concerned subsidiary to report its implemental and operational conditions of compliance and internal control, and supply the subsidiary with necessary support, advice, etc. In addition, said department shall require the concerned subsidiary to report an activity or fact which may not be in compliance with Laws, etc., and promptly report the matter to the relevant department(s) engaged in functions and the department(s) engaged in internal controls and auditing.

Each subsidiary shall implement and operate its regulations in compliance with Laws, etc. In case a Director or an employee discovers actions in non-compliance with Laws, etc., he/she shall report to the Board of Directors in his/her own company immediately and report to NST with Emergency Report system, and NST shall give said subsidiary instructions and advice.

7. Matters of audit by Audit & Supervisory Board Members

Directors, Executive Officers and employees of NST, and Directors, Auditors and employees of the Subsidiaries shall report on the condition of the business execution of NST and said subsidiary, and important matters such as facts that influence the management of NST, to Audit & Supervisory Board Members or Audit & Supervisory Board appropriately in a timely manner, and directly or through the relevant department(s) engaged in functions and the department(s) engaged in internal controls and auditing. Directors shall report import matters such as the operating condition of internal control at the Board of Directors Meeting and the Management Meeting, and hold such information with Audit & Supervisory Board Members in common.

NST shall not treat such reporters unfavorably for the reason of his/her report.

The relevant department(s) engaged in functions and the department(s) engaged in internal controls and auditing shall cooperate with each other, by exchange of opinion about the operation condition of internal control system with Audit & Supervisory Board Members regularly or in case of necessity.

To support audit engagements by Audit & Supervisory Board Members, NST has already established Office of Audit & Supervisory Board and arranges the employees necessary for audit engagements. To ensure the independence of Office members from Directors, these Office members work exclusively and execute audit engagements under Audit & Supervisory Board Members.

The change and evaluation of Office members shall be discussed with Audit & Supervisory Board Members.

NST shall include expenses necessary for the execution of audit engagements by Audit & Supervisory Board Members in its budget. NST shall meet a request from Audit & Supervisory Board Members for urgent and extraordinary expenses after the fact.

2. Basic Views on Eliminating Anti-Social Forces

NST aims to continue to be a company group relied upon by society, and has the policy never to have a relationship with Anti-Social Forces which threaten public order and social safety, and to never meet unreasonable demands.

NST has already established an internal corporate structure such as the Compliance Manual and the assignment of a responsible person for unreasonable demands.

NST belongs to the particular association managed by the Metropolitan Police Department and receives instructions and information, and cooperates with outside special organs such as the police or lawyers, etc., in normal times.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation

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2. Other Matters Concerning to Corporate Governance System

<Timely Disclosure Structure>

The internal corporate structure of Timely Disclosure shall be as follows.

1. Timely disclosure of Decisions by NST

A decision which becomes the object of timely disclosure about NST and its subsidiaries shall be determined and reported by the Board of Directors or the Management Meeting in accordance with the internal regulations, and disclosed in accordance with the Securities Listing Regulations of the Tokyo Stock Exchange.

2. Timely disclosure about the Facts which occurred for NST

Facts which occurred for NST or subsidiaries shall be disclosed in accordance with the Securities Listing Regulations of the Tokyo Stock Exchange promptly after the occurrence of said Fact.

3. Timely disclosure about NST's Earning information

Earning information shall be submitted and reported to the Board of Directors in accordance with NST's regulations and disclosed in accordance with the Securities Listing Regulations of the Tokyo Stock Exchange.

Each disclosure noted above shall be executed in a timely manner under the responsibility of the Executive Officer managing the General Affairs & Corporate Communication Department (Entity Responsible for the Handling of Information stipulated in the Securities Listing Regulations of the Tokyo Stock Exchange).

NST shall post it to NST's website at the same time of disclosure.