Systems to ensure that Executive Officers comply with applicable laws, regulations, and the Articles of Incorporation in the performance of their duties, and the appropriateness of business operations

Fundamental Policy on Establishing Internal Control Systems

1	Systems to ensure that the performance of duties by Executive Officers and employees of the Company, as well as Directors, Statutory Auditors and employees of its subsidiaries (collectively, the "Group Employees"), complies with applicable laws, regulations, and the Articles of Incorporation	・ Based on the management principles set out in "Our Vision", the NSG Group (the "Group") aims to uphold the highest standards of ethics and compliance across all its operations, while proactively fulfilling its social responsibilities to achieve sustainable growth. ・ Under the management principles set out in "Our Vision", the Group shall establish the "NSG Group Code of Ethics", which stipulates matters concerning business ethics and compliance with laws, regulations, and internal policies and procedures. The Group shall utilize its internal communication network to continuously disseminate and provide training on the Code of Ethics, together with other key internal policies and procedures (e.g. Group Policies, procedures, and manuals) to the Group Employees. ・ Each Strategic Business Unit ("SBU") and Group Function responsible for ensuring compliance with applicable laws, regulations, and internal policies and procedures shall monitor compliance status within its scope of responsibility in coordination with the Internal Audit Function, and shall report the results to the Audit Committee. ・ The Group shall appoint the Chief Ethics and Compliance Officer and, under that officer's leadership, shall establish a central Group function responsible for developing and maintaining an effective ethics and compliance framework throughout the Group (the "Ethics and Compliance Function"). ・ The Ethics and Compliance Function shall, throughout the Group: ➢ work closely with regional ethics and compliance teams to promote and ensure compliance by adhering to strict standards, and to raise awareness of ethics and compliance through communication and training programs; and ➢ as deemed necessary, conduct audits in cooperation with the Internal Audit Function and other internal control functions. ・ The Ethics and Compliance Function shall report to the Audit Committee, in addition to the Management Committee.

		• The Group shall establish, at the Group level, a hotline for reporting and consultation on concerns, which operates independently of the ordinary reporting structure for business execution with an external organization acting as the point of contact, thereby ensuring a framework that enables the prompt detection of, and appropriate response to ethics and compliance issues across the Group. • The Ethics and Compliance Function shall, periodically or as appropriate, update the Audit Committee on the status of the establishment and operation of the hotline for reporting and consultation on concerns, as well as on the issues reported through the hotline. • The Group Employees may report or consult via the hotline anonymously to the extent permitted by law, and the Group shall explicitly guarantee that no disadvantage, including any adverse personnel treatment, will be imposed on those who make such reports or consultations.
2	Rules and systems for managing risks of loss related to the Group	• The Group shall establish internal policies and procedures to adequately address various risks associated with its business operations and shall identify and manage all possible risks in a holistic manner across the enterprise. To effectively promote enterprise risk management, the Group shall establish the Strategic Risk Committee under the Management Committee, chaired by the Chief Risk Officer and headed by the Representative Executive Officer. The Committee shall regularly review the identification, evaluation, and remediation status of major risks, ensure the effective operation of an adequate risk management framework throughout the Group, and report to the Management Committee and the Audit Committee. • The Group shall establish internal policies and procedures that clearly define how to address specific risks associated with health, safety, ethics and compliance, environment, disaster management, product quality, information security, funding, raw material procurement, research and development and business development, credit control, career development and retention, digital transformation, and any other risks that may be material to the Group in light of its current circumstances and medium to long-term directions. Each SBU and Group Function shall manage such risks within their respective areas of responsibility in accordance with these internal policies and procedures. • The Group shall ensure that the Ethics and Compliance Function manages and controls significant ethics and compliance-related risks for the Group in cooperation with internal control functions such as the Legal Function and the Internal Audit Function, through measures such as the

		preparation and maintenance of relevant internal policies and procedures. ・ Risk control measures including risk diversification and insurance coverage shall be implemented and managed at the Group level as necessary. In particular, the Group shall establish an internal policy on insurance coverage and, based on this policy, maintain a globally applicable insurance program and renew it annually to ensure adequate transfer of material risks across the Group. ・ The Group shall develop and maintain risk management policies and procedures to prepare for and respond to major incidents that may occur at the Group level or regional level. ・ The Group shall establish and maintain a control system, along with necessary internal policies and procedures, to ensure the integrity of its financial reporting on a group-wide basis and within each entity constituting the Group, in terms of timing and substance, as well as the timeliness and accuracy of financial and other corporate disclosures, thereby guaranteeing transparency and accuracy of the Group's financial reporting and corporate disclosure. ・ The Group shall establish the Internal Audit Function operating at the Group level. This function shall conduct audits independently of each Executive Division and provide assurance regarding the effectiveness and efficiency of the Group's risk management framework. The adoption and amendment of the Group's internal audit charter which sets out audit plans and defines the roles, duties, and responsibilities of the Internal Audit Function, as well as the appointment and dismissal of the head of the function shall require the prior consent of the Audit Committee.
3	Systems for retaining and managing information on Executive Officers' performance of duties	・ Executive Officers shall properly retain and manage documents, records, and any other information regarding the execution of their duties in accordance with applicable laws and regulations, as well as internal policies and procedures.
4	Systems to ensure the effective and efficient performance of duties by the Group Employees	・ The Group shall formulate annual business targets based upon its medium to long-term business plans resolved by the Board. It shall also clearly communicate these targets throughout the whole organization to ensure that all Group businesses are managed and coordinated in a consistent manner. ・ The Board shall establish a Basic Policy on Sustainability on a Group-wide basis and supervise the status of its dissemination and implementation. ・ The Board shall authorize Executive Officers to make decisions on the execution of the Group's business or affairs within the scope permitted by laws and regulations. ・ The Group shall establish the Management Committee comprising key Executive Officers.

		Through its deliberations, the Committee shall assist Executive Officers in making bold and prompt decisions on matters related to the Group's businesses effectively and efficiently, within the framework of the Group's basic policies and goals established by the Board. • The Board shall appoint the Company Secretary who occupies a unique position between the Board and the Executive Division and is responsible for: ➢ providing support to Directors on matters related to corporate governance; ➢ handling matters concerning the General Meeting of Shareholders and the Company's shares; ➢ supporting the efficient functioning of the Board and its Committees; ➢ ensuring appropriate sharing and consistency of information between the Board and its Committees, and between the Board (and its Committees) and the Executive Division; and ➢ supporting the review of effective processes and the consideration and promotion of initiatives to enable the Board to perform its functions effectively. • The Group shall clearly define the areas of duties and responsibilities assigned to respective Executive Officers and other Group Employees, pursuant to the resolutions by the Board and internal policies and procedures governing the allocation of roles, duties, and authorities. • The Group shall establish internal policies and procedures in relation to meeting structures, including those related to the Management Committee, and shall ensure that all business decisions for the Group are made in compliance with the deliberation standards and processes set out in such policies and procedures. • The Group shall develop systems that leverage IT to improve the efficiency of business operations.
5	Reporting-line structure within the Group	▪ The Company shall establish a Basic Policy on Group Governance Structure to define the fundamental principles of group governance. Based on this Basic Policy, the Group shall develop an integrated reporting structure at the Group level for each SBU and Group Function, including lines of command and instructions within the Group, regardless of regions or entities. ▪ The Group shall establish internal policies regarding the management of the Company's subsidiaries to define the reporting and management structures applicable to them, including the responsibilities of relevant Executive Officers and SBUs, as well as support responsibilities of Group Functions. These policies shall also ensure that each material subsidiary regularly reports

		to the Company on matters concerning internal audit, finance, treasury, taxation, human resources, labor relations, pensions, health and safety, legal affairs, ethics and compliance, environment, and any other areas related to internal controls, as well as the status of risks or exposures associated with such areas. ▪ The Internal Audit Function shall conduct internal audits on a Group-wide basis and report its findings to the Directors and Executive Officers.
6	Systems to ensure the effectiveness of audits conducted by the Audit Committee	▪ The Audit Committee, as part of the Board's oversight function, shall audit the execution of duties by Directors and Executive Officers based on this "Fundamental Policy on Establishing Internal Control Systems", from a viewpoint of whether: ➢ the Group's internal control systems are appropriately established, maintained, and implemented by the Executive Officers; and ➢ this Fundamental Policy remains valid and requires no improvement. ▪ To secure the effectiveness of such audits: ➢ the Audit Committee may have its members attend Management Committee meetings and other important meetings related to the Group's business execution. When other forms of decision-making processes are used in lieu of discussion at such meetings, the Audit Committee shall have the right to access any information related to such decision-making processes; ➢ the Audit Committee may, as it deems necessary, interview Executive Officers responsible for SBUs or Group Functions, as well as any of Group Employees in senior positions, regarding the execution of their duties; ➢ the Audit Committee shall receive regular reports on the current risk exposures faced by the Group with respect to the following matters from the SBUs and Group Function responsible for them: ● sustainability, internal audit, risk management, finance, treasury, taxation, human resources, labor relations, pensions, health and safety, investor relations, legal affairs, ethics and compliance, environment, and any other areas related to internal controls; ➢ the Audit Committee shall have the right to access any material corporate documents containing significant information, including but not limited to materials used for Management Committee meetings and internal approval documents;

		➢ the Audit Committee shall receive an explanation from the Executive Officer in charge of financial affairs on the Group's quarterly and full-year financial statements before they are presented to the Board for noting or approval; ➢ the Audit Committee shall meet with the Internal Audit Function and the Independent Auditor on a regular basis to obtain necessary information; and ➢ members of the Audit Committee may conduct onsite inspections of the Group's major sites to monitor the status of business operations and assets when deemed further necessary in light of the audit objectives set forth above in this section.
7	Systems for reporting from the Group Employees to the Audit Committee and other systems concerning reporting to the Audit Committee	・ Directors and Executive Officers shall report the following to the Audit Committee without delay when: ➢ they discover any fact that may cause significant damage to the Group; or ➢ a Group Employee has committed, or is suspected of committing, any act that may constitute a violation of laws, regulations, or the Articles of Incorporation. ・ Without limiting the generality of the foregoing, the Audit Committee may request any Group Employee to provide such reports as it deems necessary for its audit. ・ The Group shall explicitly guarantee that no disadvantage, including any adverse personnel treatment, will be imposed on those who make reports to the Audit Committee by reason of such reporting.
8	Matters relating to Directors and Employees who shall assist the Audit Committee in the performance of its duties	・ The Group shall establish the Audit Committee Office to assist the Audit Committee in the performance of its duties, and shall assign such number of staff members as it deems necessary (the "Support Staff of the Audit Committee"). ・ Under the instructions of the Audit Committee or its members, the Support Staff of the Audit Committee shall: ➢ either independently or in coordination with relevant SBUs and Group Functions, investigate, analyze, and report matters subject to audit; and ➢ assist the Audit Committee in conducting onsite inspections of the Group's major sites to monitor the status of business operations and assets when deemed necessary.
9	Matters relating to (i) the independence of the aforementioned Directors and Employees from	・ Decisions on personnel matters concerning the Support Staff of the Audit Committee shall require prior notice to and the consent of the Audit Committee. ・ The head of the Support Staff of the Audit Committee shall not concurrently hold any position

	Executive Officers, and (ii) ensuring the effectiveness of instructions given to them by the Audit Committee	involved in the execution of the Group's business or affairs, and shall report exclusively to the Audit Committee.
10	Matters relating to policies on (i) procedures for advance payment or reimbursement of expenses incurred in the performance of duties by members of the Audit Committee (limited to those relating to such duties) and (ii) the handling of any other expenses or liabilities arising from such performance	・ If a member of the Audit Committee requests an advance payment of expenses to be incurred in performing their duties, or otherwise makes any request as provided under Article 404(4) of the Companies Act, the Company shall not refuse such request except where the Company proves that the expenses or liabilities relating to such request are not necessary for the performance of such member's duties.

Notes: The above reflects the revisions approved by the Company's Board of Directors on March 26, 2015, in accordance with the "Act for Partial Revision of the Companies Act" (Act No. 90 of 2014, effective May 1, 2015) and the "Ministerial Ordinance for Partial Revision of the Enforcement Regulations of the Companies Act" (Ordinance of the Ministry of Justice No. 6 of 2015).

- Revised at the meeting of the Company's Board of Directors held on December 6, 2018
- Revised at the meeting of the Company's Board of Directors held on December 9, 2021
- Revised at the meeting of the Company's Board of Directors held on February 3, 2022
- Revised at the meeting of the Company's Board of Directors held on November 8, 2024