

[Principle 4.9] Independence Criteria and Qualification of Independent Directors

The Company's external director is deemed to be less independent if the principal or his immediate family falls under any of the following items.

Criteria for Independence of External Directors

An External Director of NSG shall be deemed not independent if he or she, or any of his or her close relatives, falls under any of the following categories.

(1) With respect to the External Director him/herself, where:

- a) He/she is or has ever been an Executive Director, Executive Officer, Corporate Officer or any other employee (hereinafter collectively referred to as "Executive or Employee") of the NSG Group;
 - b) i) He/she has a business relationship with the Company and has received from the Company payments aggregating to the amount specified below in any single fiscal year over the three most recently ended fiscal years of that business partner (or in cases where such business partner is a legal entity or other organization, he/she is or has been an Executive or Employee of that organization), or he/she is a person for whom the NSG Group is a Major Business Partner:
 - Aggregate amount exceeding 1% of that business partner's consolidated sales for the relevant fiscal year; or
 - ii) He/she has a business relationship with the Company and has made to the Company payments aggregating to the amount specified below in any single fiscal year over the three most recently ended fiscal years of the Company, or he/she is a Major Business Partner of the NSG Group (or in cases where such business partner is a legal entity or other organization, he/she is or has been an Executive or Employee of that organization):
 - Aggregate amount exceeding 1% of the Company's consolidated sales for the relevant fiscal year;
- Note: For the purpose of these criteria, the term "Major Business Partner" refers to any entity that, in the business relationship between the NSG Group and the relevant business partner group, could be expected to exert a degree of influence on the other party's decision-making comparable to that which exists between a parent and subsidiary or within an affiliated group.
- c) He/she is a Certified Public Accountant serving as the Company's Accounting Auditor, or, where an audit firm serves as the Company's Accounting Auditor, he/she is a partner or employee of that firm, or he/she has actually been in charge of audit services for the NSG Group at any time during the past three years;
 - d) He/she is a consultant, accountant, or lawyer who has received from the NSG Group, other than as officer remuneration, a substantial amount of money or other property, the aggregate value of which is equal to or greater than JPY 10 million in any single fiscal year of the Company (or in cases where the recipient of such money or property is a legal entity, association, or other organization, he/she belongs to that organization);
 - e) He/she has a material business relationship with or a material interest in the NSG Group (or in cases where a legal entity or other organization has such a relationship or interest, he/she is an Executive or Employee of that organization). The fact of having received donations or loans from the NSG Group averaging JPY 10 million or more per year over the three most recently ended fiscal years of the Company shall be deemed to constitute such a material interest in the NSG Group;
 - f) He/she holds cross-Directorships or has significant links with other Directors or Executive Officers of the Company through involvement in other companies or organizations;
 - g) He/she is a major beneficial shareholder entitled to 10% or more of the total voting rights of the Company (or in cases where such shareholder is a legal entity or other organization, he/she is or has been an Executive or Employee of that organization at any time during the past five years); or
 - h) He/she has fallen under d), e), or f) above in any single fiscal year over the three most recently ended fiscal years of the Company.

(2) With respect to close relatives of the External Director, that is, his or her spouse, relatives within the second degree of kinship, or relatives living in the same household, where:

- a) He/she is or has ever been in the past five years, an Executive Director, Executive Officer, Corporate Officer, or any other senior employee (hereinafter collectively referred to as "Senior Manager") of the NSG Group;
- b) i) He/she has a business relationship with the Company and has received from the Company payments aggregating to the amount specified below in any single fiscal year over the three most recently ended fiscal years of that business partner (or in cases where such business partner is a legal entity or other organization, he/she is or has been a Senior Manager of that organization), or he/she is a person for whom the NSG Group is

a Major Business Partner:

- Aggregate amount exceeding 1% of that business partner's consolidated sales for the relevant fiscal year; or
- ii) He/she has a business relationship with the Company and has made to the Company payments aggregating to the amount specified below in any single fiscal year over the three most recently ended fiscal years of the Company, or he/she is a Major Business Partner of the NSG Group (or in cases where such business partner is a legal entity or other organization, he/she is or has been a Senior Manager of that organization):
 - Aggregate amount exceeding 1% of the Company's consolidated sales for the relevant fiscal year;
- c) He/she is a Certified Public Accountant serving as the Company's Accounting Auditor, or, where an audit firm serves as the Company's Accounting Auditor, he/she is a partner or Senior Manager of that firm, or he/she has actually been in charge of audit services for the NSG Group at any time during the past three years;
- d) He/she is a consultant, accountant, or lawyer who has received from the NSG Group, other than as officer remuneration, a substantial amount of money or other property, the aggregate value of which is equal to or greater than JPY 10 million in any single fiscal year of the Company (or in cases where the recipient of such money or property is a legal entity, association, or other organization, he/she is a partner, associate, or Senior Manager of that organization);
- e) He/she has a material business relationship with or a material interest in the NSG Group (or in cases where a legal entity or other organization has such a relationship or interest, he/she is a Senior Manager of that organization). The fact of having received donations or loans from the NSG Group averaging JPY 10 million or more per year over the three most recently ended fiscal years of the Company shall be deemed to constitute such a material interest in the NSG Group;
- f) He/she is a major beneficial shareholder entitled to 10% or more of the total voting rights of the Company (or in cases where such shareholder is a legal entity or other organization, he/she is or has been a Senior Manager of that organization); or
- g) He/she has fallen under d) or e) above in any single fiscal year over the three most recently ended fiscal years of the Company.

Policies and procedures for the appointment of the nomination of the director candidates

The Nomination Committee recommends to the Ordinary General Meeting of Shareholders candidates for the Board of Directors from among those who meet the following criteria:

[Character, Insight, and Leadership]

The candidate shall:

1. Possess a good character and high ethical standards.
2. Demonstrate a strong sense of compliance with laws and regulations.
3. Be fit to hold office and able to fulfil the duties required.
4. Possess excellent business acumen and the ability to make judgements objectively.
5. Have extensive leadership experience and be team-orientated.

[No Material Interest]

6. The candidate shall have no material interest or business relationship that could affect management decisions in the Group's business areas. ("Criteria for Independence of External Directors" is defined separately)

[Skills / Expertise]

7. The candidate shall have extensive experience in a global or multinational business environment and/or possess skills and expertise in areas such as market, technology, accounting, legal affairs, talent development, or other fields necessary or desirable for the Group, considering its current circumstances and strategies.

[Commitment]

8. The candidate shall support the philosophy and basic stance set forth in the "NSG Group Corporate Governance Guidelines" and the "Board of Directors Charter," and is expected to perform duties accordingly.
9. The candidate shall have sufficient time to participate in meetings of the Board and any Committees of which he/she would be a member, and being qualified to fulfil the duties as a member of any of the following three committees, if appointed: the Nomination Committee, the Audit Committee and/or the Compensation Committee.