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**NOK CORPORATION**

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Securities Code: 7240

<https://www.nok.co.jp/en/>

The corporate governance of NOK CORPORATION (the “Company”) is described below.

## **I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information**

### **1. Basic Views**

The NOK Group seeks not only to contribute toward the economic development of society by creating added value through fair competition, but also to develop management of which all its stakeholders can be proud and that encourages them to chase their dreams with us, and to make an effective contribution to society at large. In addition, the NOK Group develops its business plans with the objective of securing stable growth and profits over the medium to long term. For this reason, the NOK Group considers the continuous strengthening of corporate governance to be one of its business management priorities, and is committed to this approach.

Specifically, in addition to appropriately implementing the System for Ensuring Properness of Operations (the basic policy for the internal control system) in accordance with the provisions of the Companies Act, our basic policy is to maintain our commitment to continuously strengthen corporate governance in conformity with the Corporate Governance Code stipulated by the Tokyo Stock Exchange.

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

[Principle 4.11 Preconditions for Board of Directors and Board of Corporate Auditors Effectiveness]

Directors and Corporate Auditors are nominated by the Board of Directors based on consideration of their personal qualities and their appropriateness as officers of a company, in accordance with the nomination policy described in Principle 3.1 and Supplementary Principle 4.11.1, which will be discussed later, and the Company believes that the current composition of the Board of Directors is appropriate.

Corporate Auditors include one Outside Corporate Auditor who is a tax accountant and certified public accountant, and one who is a lawyer.

### **[Disclosure Based on the Principles of Japan’s Corporate Governance Code]**

[Principle 1.4 Cross-Shareholdings]

#### **(1) Policy on cross-shareholdings**

The Company has cross-shareholdings as assets based on the following views and verifies the suitability of holding the shares at regular intervals. Based on the results of the verification, the Company determines whether to continue or reduce the cross-shareholdings.

##### **a. Purpose of holding funds**

The Company believes that it is necessary to secure a certain amount of funds to prepare for unforeseeable events under the challenging business environment in our operation of the Electronic Product business with high volatility in the short term and the Seal business where there are concerns over a decrease in demand as electric vehicles and fuel cell vehicles become more popular in the medium to long term. Furthermore, to grow the Company and expand its business, the Company believes that it is necessary to secure funds on hand, separate from the usual working capital, as necessary funds for new investments that carry risk and funds to cover times

when risks arise. Given the above reasons, the Company has determined that a certain amount of funds is necessary and is holding the funds as assets.

b. Purpose of cross-shareholdings

The Company believes that it is desirable to hold assets that provide three types of value, “financial value,” as well as “business value” and “value as an investment,” and has determined that listed shares of customers are appropriate. Although there are risks associated with listed shares, such as price fluctuation, the Company has the cross-shareholdings based on the Company’s view that out of the various kinds of assets such as government bonds, and real estate, only listed shares can be expected to contribute to business growth and revenue. When selecting cross-shareholdings, the Company determines which shares to hold based on the expectation that ownership of the shares will advance its business in terms of sales and purchasing activities, etc., including sales growth, stable procurement, consistent sourcing of funds, etc. by strengthening relationships with customers, as well as to grasp whether current state of business for each issuer is stable and the dividend yields of shares are kept at a certain level.

c. Verification of cross-shareholdings

Regarding cross-shareholdings, the Company confirms the purpose of holding each issuer’s stock individually at regular intervals, evaluates the cross-shareholdings at regular intervals based on the applicable standards of the evaluation standards that have been established, and verifies the necessity of the cross-shareholdings. According to the results of this verification, the Company believes that it is necessary to sequentially sell, or reduce the number of, the shares of issuers that are determined not to meet NOK’s purpose of cross-shareholdings or standards. The Company has established individual numerical values as the verification standards to determine whether the cross-shareholdings provide the three types of value, “financial value,” “business value” and “value as an investment,” evaluates individual issues of stock, and verifies the suitability of the cross-shareholdings. Specifically, the Company conducts annual checks on the state of transactions over the preceding three years, and also implements measures to grasp the current state of business for each issuer by means of indicators covering growth potential, profitability, investment safety and valuation issues. After the results have been verified by the Board of Directors, it provides confirmation as to the suitability of the cross-shareholdings.

(2) Standard for Exercising Voting Rights in Cross-Shareholdings

The Company takes decisions on the exercise of voting rights in cross-shareholdings, and exercises such rights, in accordance with the objective for which the shares are held. For proposals that are deemed to run counter to the objective for which the shares are held by the Company, the assessment of such proposals by external bodies will be taken into account, and an appropriate evaluation and decision will be taken.

[Principle 1.7 Related Party Transactions]

For transactions that cause conflicts of interest for Directors, the Company has created and applied provisions requiring such transactions to be reported to, and approved by, the Board of Directors.

Moreover, for sales of goods to or purchases of materials etc. from customers, including major shareholders, the Principles of Corporate Behavior in the NOK Charter of Corporate Behavior stipulate that transactions should be appropriate and characterized by fair, transparent and free competition. The NOK Charter of Corporate Behavior and the Principles of Corporate Behavior are presented in “IV. 1 Basic Views on Internal Control System and Progress of System Development,” to which readers are referred for more details.

[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]

With regard to corporate pension funds, the Company has established a fund and manages the assets. In terms of managing the assets, we take into account that this affects both asset formation for employees and the Company’s own finances. Accordingly, as well as monitoring the organization managing the funds at regular intervals, we also take appropriate steps to ensure that human resources delegated to the pension fund are suited to the management, such as by taking a systematic approach to the appointment and assignment of personnel.

In terms of concrete management issues, important cases are decided by a body made up of representatives from the company and those insured, which may be a board of representatives, a board of trustees or an asset management committee, with the results being disclosed in internal company newsletters and websites.

[Principle 3.1 Full Disclosure]

(1) Business principles, business strategies and business plans

The Company has set out its business principles, etc. in the NOK Charter of Corporate Behavior. In addition, the Company drew up a three-year plan as a business plan for the medium to long term, which is included in financial results and in the notice of the annual shareholders' meeting.

(2) Basic views and guidelines on corporate governance

Please refer to "I. 1. Basic Views" of this report.

(3) Policies and procedures in determining the remuneration to Directors and Corporate Auditors

Please refer to "II. 1. [Director Remuneration] Disclosure of Policy for Determining Remuneration Amounts or Calculation Methods Thereof" of this report.

(4) Policies and procedures in the nomination and dismissal of the candidates for Directors and Corporate Auditors

Please refer to "II. 2. Matters on Functions of Business Execution, Audit and Supervision, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)" of this report.

(5) Explanations with respect to the individual nominations and dismissals

With regard to the nominations of Directors or Corporate Auditors, career histories and reasons for their appointment are presented in the notice of the annual shareholders' meeting.

With respect to the dismissal of Directors and Corporate Auditors, reasons for their dismissal will be presented in the notice of the annual shareholders' meeting.

[Principle 4.1 Roles and Responsibilities of the Board (1)]

Supplementary Principle 4.1.1

Please refer to "IV. 1. Basic Views on Internal Control System and Progress of System Development, 3. System for securing the efficiency of the execution of duties by the Company's Directors" of this report.

[Principle 4.9 Independence Standards and Qualification for Independent Directors]

Please refer to "II. 2. Matters on Functions of Business Execution, Audit and Supervision, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)" of this report.

[Principle 4.11 Preconditions for Board of Directors and Board of Corporate Auditors Effectiveness]

Supplementary Principle 4.11.1

Please refer to "II. 2. Matters on Functions of Business Execution, Audit and Supervision, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)" and "II. 3. Reasons for Adoption of Current Corporate Governance System" of this report.

Supplementary Principle 4.11.2

Concurrent positions held by Directors or Corporate Auditors as officers of other companies are described in the notice of the annual shareholders' meeting.

Supplementary Principle 4.11.3

The Company implements a self-evaluation questionnaire system for all Directors and Corporate Auditors, including Outside Directors and Outside Corporate Auditors every May, consisting of questions about the composition, operation and resolutions of the Board of Directors, as well as questions regarding the supporting system for the Board of Directors. The results of the aggregated responses are shared with the Board of Directors. For the self-evaluation questionnaire implemented in May 2020, the Company analyzed the results and confirmed that the effectiveness of the Board of Directors as a whole has been secured.

[Principle 4.14 Director and Corporate Auditor Training]

Supplementary Principle 4.14.2

The Company's policy is to continuously provide Directors and Corporate Auditors with opportunities to work diligently on acquiring and updating, as appropriate, the knowledge required to discharge their roles and responsibilities.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

(1) Systems

Please refer to "V. 2. Other Matters Concerning Corporate Governance System, Overview of the Timely Disclosure System" of this report.

(2) Initiatives

Please refer to "III. 2. IR Activities" of this report.

The opinions acquired during dialogue with shareholders (investors) are provided as feedback to the Board of Directors and to Management Meetings by the Director responsible for Corporate Communication, as necessary.

In addition, in compliance with the Timely Disclosure System based on (1) above, we do not disclose insider information to a subset of shareholders (investors). To be more specific, the period from the day following the date on which the quarterly accounts are settled to the date of the announcement of results is designated as a period during which the disclosure of information related to results is avoided.

## 2. Capital Structure

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

Name	Number of Shares Owned (Shares)	Shareholding Ratio (%)
Freudenberg SE	43,457,500	25.10
Custody Bank of Japan, Ltd. (Trust account)	9,121,800	5.27
Seiwa Jisho Co., Ltd.	8,773,000	5.07
The Master Trust Bank of Japan, Ltd. (Trust account)	8,253,600	4.77
The Dai-ichi Life Insurance Company, Ltd.	8,000,000	4.62
Toyota Motor Corp.	6,809,500	3.93
Sumitomo Mitsui Banking Corp.	4,270,000	2.47
Sompo Japan Insurance Inc.	3,036,400	1.75
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation retirement benefit trust account)	3,000,000	1.73
The NOK Stock Ownership Association	2,779,288	1.61

Controlling Shareholder (except for Parent)	—
Parent	N/A

Supplementary Explanations
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### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Transportation Equipment
Number of Employees (Consolidated) at End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries at End of the Previous Fiscal Year	From 50 to less than 100

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

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### 5. Special Circumstances Which May Have Material Impact on Corporate Governance

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

### 1. Organizational Composition and Operation

Organization Form	Company with the Board of Corporate Auditors
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairman (excluding the case where the person concurrently serves as President)
Number of Directors	9
Appointment of Outside Directors	Appointed
Number of Outside Directors	2
Number of Independent Officers Designated from among Outside Directors	2

## Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Kensaku Hogen	Other											
Makoto Fujioka	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; and

“▲” when a close relative of the Director fell under the category in the past

- Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary
- Non-executive Director or executive of the parent of the Company
- Executive of a fellow subsidiary of the Company
- Party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the Company or an executive thereof
- Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a Director
- Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- Executive of a client or supplier of the Company (which does not correspond to any of d., e., or f.) (the Director himself/herself only)
- Executive of a corporation to which outside officers are mutually appointed (the Director himself/herself only)
- Executive of a corporation that receives a donation from the Company (the Director himself/herself only)
- Other

## Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Kensaku Hogen	○	———	The Company proposed that Mr. Kensaku Hogen be elected because it has decided that he is able to give advice on the overall business activities of the Company from objective, broad, and sophisticated viewpoints, based on his extensive experience and deep insights into foreign affairs. In addition, the Company has determined that there are no conflicts of interest with the Company that would affect decision-making, and that he is able to maintain a neutral and fair perspective.

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Makoto Fujioka	○	-----	The Company proposed that Mr. Makoto Fujioka be elected because it has decided that he is able to give advice on the business activities of the Company from objective, broad and sophisticated viewpoints. The Company believes he can do so based on his extensive experience and deep insights in industrial policy and foreign affairs, as well as his track record in corporate management. In addition, the Company has determined that there are no conflicts of interest with the Company that would affect decision-making, and that he is able to maintain a neutral and fair perspective.

Voluntary Establishment of Committee(s) Equivalent to Nominating Committee or Remuneration Committee	Established
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#### Committee's Name, Composition, and Chairperson's Attributes

	Committee Equivalent to Nominating Committee	Committee Equivalent to Remuneration Committee
Committee's Name	Management Supervision Meeting	Management Supervision Meeting
Total Committee Members	5	5
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	2	2
Outside Experts	0	0
Other	1	1
Chairperson	Inside Director	Inside Director

#### Supplementary Explanation

The Company has established the Management Supervision Meeting as an advisory body to the Board of Directors for the purpose of enhancing objectivity and transparency in matters related to nomination and remuneration. It provides periodical confirmation on particularly important matters such as nomination and remuneration in addition to providing the Board of Directors with appropriate advice. The Management Supervision Meeting is a committee body whose primary constituent members are outside officers. Its other members consist of the Chairman of the Board & Representative Director, the President and Representative Director, two Outside Directors, and one Outside Corporate Auditor. It provides confirmation and advice relating to important management issues such as nomination and remuneration.

## [Corporate Auditors]

Establishment of Board of Corporate Auditors	Established
Maximum Number of Corporate Auditors Stipulated in Articles of Incorporation	5
Number of Corporate Auditors	5

### Cooperation among Corporate Auditors, Independent Auditor and Internal Audit Department

The Company's Corporate Auditors have implemented a mechanism for mutual cooperation with the Independent Auditor, such that information is constantly being exchanged.

At the Company, the Auditing Committee for Internal Controls, which is an advisory body to the Board of Directors, audits the System for Ensuring Properness of Operations at the Company and its subsidiaries at regular intervals, based on the Internal Control Rules, and reports the results to the Board of Corporate Auditors.

Appointment of Outside Corporate Auditors	Appointed
Number of Outside Corporate Auditors	3
Number of Independent Officers Designated from among Outside Corporate Auditors	3

### Outside Corporate Auditor'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
Osamu Kobayashi	CPA													
Hideki Ogawa	From another company													
Atsushi Kajitani	Attorney at law													

\* Categories for "Relationship with the Company"

“○” when the Corporate Auditor presently falls or has recently fallen under the category;

“△” when the Corporate Auditor fell under the category in the past;

“●” when a close relative of the Corporate Auditor presently falls or has recently fallen under the category;  
and

“▲” when a close relative of the Corporate Auditor fell under the category in the past

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

b. Non-executive Director or accounting advisor of the Company or its subsidiary

c. Non-executive Director or executive of the parent of the Company

d. Corporate Auditor of the parent of the Company

e. Executive of a fellow subsidiary of the Company

f. 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, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a Corporate Auditor

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

j. Executive of a client or supplier of the Company (which does not correspond to any of f., g., or h.) (the Corporate Auditor himself/herself only)

k. Executive of a corporation to which outside officers are mutually appointed (the Corporate Auditor himself/herself only)



- l. Executive of a corporation that receives a donation from the Company (the Corporate Auditor himself/herself only)
- m. Other

Outside Corporate Auditor's Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Osamu Kobayashi	○	———	The Company proposed that Mr. Osamu Kobayashi be elected because it has decided that he is able to reflect his opinions in the Company's audits. The Company believes he can do so based on his wealth of experience and his insights in finance and accounting as a certified public accountant and tax accountant. In addition, the Company has determined that there are no conflicts of interest with the Company that would affect decision-making, and that he is able to maintain a neutral and fair perspective.
Hideki Ogawa	○	Mr. Hideki Ogawa has served within the past 10 years as an Executive Officer at an electric power company that supplies the Company with electric power, but the value of that company's transactions with the Company is negligible relative to the scale of the electric power company or to the Company's consolidated net sales for the term in question.	The Company proposed that Mr. Hideki Ogawa be elected because it has decided that he is able to reflect his opinions on the overall business activities of the Company in audits of the Company. The Company believes he can do so based on his wealth of experience, his deep insights in industrial policy and his experience in corporate management. In addition, the Company has determined that there are no conflicts of interest with the Company that would affect decision-making, and that he is able to maintain a neutral and fair perspective.
Atsushi Kajitani	○	Mr. Atsushi Kajitani is a lawyer affiliated with the legal firm that advises the Company, but he has no record of involvement, now or in the past, in cases related to the Company. Moreover, the value of the legal firm's transactions with the Company is negligible relative to the scale of the legal firm or to the Company's consolidated net sales for the term in question.	The Company proposed that Mr. Atsushi Kajitani be elected because it has decided that he is able to reflect his opinions from a broad perspective on the Company's overall management in audits of the Company. The Company believes he is able to do so based on his wealth of experience and his wide insights in corporate legal affairs as a lawyer. In addition, the Company has determined that there are no conflicts of interest with the Company that would affect decision-making, and that he is able to maintain a neutral and fair perspective.

**[Independent Officers]**

Number of Independent Officers	5
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Matters relating to Independent Officers
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**[Incentives]**

Implementation of Measures to Provide Incentives to Directors	Performance-linked remuneration
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Supplementary Explanation
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Remuneration to Directors and Corporate Auditors is designed to be determined in consideration of the level necessary to secure and keep talented human resources while raising their motivation to improve business results and increase the corporate value of the NOK Group.

Recipients of Share Options	
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Supplementary Explanation
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**[Director Remuneration]**

Disclosure of Individual Directors' Remuneration	No individual disclosure
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Supplementary Explanation
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Amount paid as remuneration to Directors:                      ¥289 million

Policy for Determining Remuneration Amounts or Calculation Methods Thereof <u>Updated</u>	Established
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Disclosure of Policy for Determining Remuneration Amounts or Calculation Methods Thereof
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The Company has established policies in relation to determining the details of remuneration, etc. for Directors, as presented below. Based on the Policy, the Board of Directors determines remuneration for Directors, within the total value determined at the annual shareholders' meeting.

- Basic policies  
Remuneration to Directors is designed to be determined in consideration of the level necessary to secure and keep talented human resources while raising their motivation to improve business results and increase the corporate value of the NOK Group.
- Policies for determining amounts or calculation methods for individual remuneration, etc. (excluding performance-linked remuneration, etc. and non-monetary remuneration, etc.)  
Directors' remuneration is classified into two types: (1) basic remuneration, which consists of fixed remuneration and remuneration for long-term expected individual achievements, and (2) performance-linked remuneration, with consideration given to Directors' responsibilities to improve business results each fiscal year and to increase the corporate value from a medium- to long-term perspective.

The remuneration structure for the Company's Directors includes a difference in the amount of remuneration according to the responsibilities of their position (offices of Chairman, President, Senior Managing Director, etc.). The currently applied ratio of the remuneration level is 1 for the office of Senior Managing Director to approximately 1.5 for the office of Chairman and President.

- Policies for determining the components of performance-linked remuneration, etc.-related performance indicators, etc., and calculation methods of amounts and/or numbers therein  
Performance-linked remuneration is paid within a range from 0% to 200% according to the level of achievement of the evaluation items. Based on the judgment that maintaining and improving profit levels is the most appropriate indicator of corporate earnings, the Company focuses on the level of achievement of the initial operating income plan when determining performance-linked remuneration, with consideration given to the payment of dividends, provision of employee bonuses and other matters that may have an impact on business performance (natural disasters, extraordinary income and loss, etc.).

- Policies for determining the proportion (ratio) of amounts for individual remuneration, etc. for each type  
The Company's business area is the manufacture and sales of components for automobiles, electronic equipment, etc. and, considering that business performance is easily influenced by trends in the industry, the proportion of performance-linked remuneration has been set at approximately 10% of total remuneration.

Of the basic remuneration, remuneration for long-term expected individual achievements is offered in the form of a certain amount of the Company's shares to be purchased by Directors every month through the Director Stock Ownership Association and to be held throughout their term. The amount of contributions to the Director Stock Ownership Association is approximately 7% to 10% of the amount of fixed remuneration according to the position, and if the person is a Director who serves concurrently as President of a major subsidiary, the amount is contributed from his/her remuneration from that subsidiary. Outside officers are not required to make contributions to the Director Stock Ownership Association.

- Policies for determining the timing and conditions for providing remuneration, etc.  
For the basic remuneration, the monthly amount for one year starting in the month following the annual shareholders' meeting is determined at a meeting of the Board of Directors that is held after the annual shareholders' meeting, and a fixed amount is paid on a certain date every month. For the performance-linked remuneration, the amount is determined at a meeting of the Board of Directors in line with "Policies for determining the components of performance-linked remuneration, etc.-related performance indicators, etc., and calculation methods of amounts and/or numbers therein" above according to the year-end financial results, and is paid prior to the annual shareholders' meeting for the settlement of accounts.
- Methods for determining the details of individual remuneration, etc.  
The amounts of remuneration, etc. for individual Directors or the calculation methods for those amounts are determined at a meeting of the Board of Directors when the proposal regarding officer remuneration is presented to the Board of Directors by the Chairman of the Board & Director, who serves as chairperson of the Board's meetings, based on advice from the Management Supervision Meeting.
- Other important matters concerning the determination of the details of remuneration, etc. for individual Directors  
The resolution date of the annual shareholders' meeting related to remuneration, etc. for the Company's Directors was June 25, 2006, and the maximum amount of remuneration was set at ¥450 million per year.

#### **[Supporting System for Outside Directors]**

Outside Directors are provided with support via the Corporate Planning Department, which is responsible for the Board of Directors Secretariat. The Company also allocates staff to augment the work of Corporate Auditors, who assist in investigations of laws and regulations etc., or in the audit operations of the Corporate Auditors. When meetings of the Board of Directors are held, the Corporate Planning Department sends materials and provides explanations related to the proposals to Outside Directors and Outside Corporate Auditors beforehand.

**[Status of Persons Who Have Retired from a Position Such as Representative Director and President]**

Retired Representative Director and Presidents, etc. Holding Advisory or Any Other Position in the Company

Name	Title/ Position	Responsibilities	Working Form and Conditions (Full-time/Part-time, Paid/Unpaid, etc.)	Date of Retirement from Position Such as President	Term of Office
_____	_____	_____	_____	_____	_____

Total Number of Retired Representative Director and Presidents, etc. Holding Advisory or Any Other Position in the Company

0

Other Matters

Currently there are no former Representative Director and Presidents, etc. holding advisory or other positions.

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

The Company adopted Board of Corporate Auditors system, which is a system where Directors who concurrently serve as executives work together in harmony while mutual monitoring is conducted by Directors including Outside Directors and management auditing is conducted by Corporate Auditors, including Outside Corporate Auditors.

The Company has also established the Management Supervision Meeting as an advisory body to the Board of Directors for the purpose of enhancing objectivity and transparency in matters related to nomination and remuneration. Its primary constituent members are outside officers, and it provides periodical confirmation on particularly important matters such as nomination and remuneration in addition to providing the Board of Directors with appropriate advice.

Furthermore, in addition to periodical confirmation and evaluation into serious management risks being carried out at the Management Supervision Meeting, the Auditing Committee for Internal Controls, which is an advisory body to the Board of Directors, audits the System for Ensuring Propriety of Operations at the Company and its subsidiaries at regular intervals, based on the Internal Control Rules, and reports the results to the Board of Directors and the Board of Corporate Auditors.

For policies concerning the remuneration of Directors and Corporate Auditors, please refer to “II. 1. [Director Remuneration] Disclosure of Policy for Determining Remuneration Amounts or Calculation Methods Thereof” of this report.

With regard to nominations for the roles of Director and Corporate Auditor, the basic approach is to nominate candidates as follows, by making a comprehensive assessment of their abilities, insights and character etc., and have the Board of Directors take a decision.

In respect of the execution of duties by Directors, based on the concept that it is essential that Directors intimately familiar with the operations of the NOK Group are involved in determining important business matters, candidates are nominated after consideration of their individual career histories.

Outside Directors must not only comply with the requirements for independence prescribed by the Companies Act, but also fulfill the criteria for independence stipulated by the Tokyo Stock Exchange. In addition, candidates are expected to be able to give advice on the business activities of the Company from objective, broad and sophisticated viewpoints, based on their extensive experience and deep insights. Finally, the basic approach followed is that of nominating candidates so as to avoid the risk of conflicts of interest arising with general shareholders.

Candidates for Corporate Auditor are expected to perform the function and role of objective and appropriate auditing based on their specialist knowledge, with the basic approach followed being to nominate candidates so as to avoid the risk of conflicts of interest arising with general shareholders.

In addition to the above approach, candidates nominated for Outside Corporate Auditor must not only comply with the requirements for independence prescribed by the Companies Act, but also fulfill the criteria for independence stipulated by the Tokyo Stock Exchange.

The policy with respect to the dismissal of Directors or Corporate Auditors is to dismiss in cases where wrongdoing, or execution of duties that infringes the above-mentioned nomination policy, is recognized.

The Company has entered into an agreement with each Outside Director and Outside Corporate Auditor to limit their liability provided for in Article 423, paragraph (1) of the Companies Act, pursuant to the provisions of Article 427, paragraph (1) of the Companies Act. The maximum amount of the liability for damages based on the said agreement is the amount prescribed in laws and regulations.

Nihombashi Corporation Certified Public Accountants has been appointed as Independent Auditor, with Tomohiro Yoshioka, Hitoshi Watanabe and Kotaro Yamamura being the certified public accountants designated to execute the work. The audit was implemented by seven certified public accountants in addition to one assistant. Also, the Corporate Auditors have implemented a mechanism for mutual cooperation with the Independent Auditor, such that information is constantly being exchanged.

### **3. Reasons for Adoption of Current Corporate Governance System Updated**

The NOK Group operates in a business environment characterized by violent change in technological innovation and in the needs of end-users change, and in order to develop and provide products and services from the standpoint of the customer, we believe it is essential that Directors intimately familiar with the operations of the NOK Group are involved in determining important business matters. Based on this kind of perspective, we adopted Board of Corporate Auditor system, where Directors who concurrently serve as executives work together in harmony, while good governance is maintained through mutual monitoring by Directors including Outside Directors, as well as through management audits conducted by Corporate Auditors, including Outside Corporate Auditors. We are strengthening the check functions of the Board of Directors and the Board of Corporate Auditors, including those functions performed by the outside officers.

In addition, in order to further enhance governance for the Group as a whole, the Company's Directors serve concurrently as Presidents of major Group companies.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Energize General Shareholders Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholders Meeting	Notice of the annual shareholders' meeting is sent out three days before the statutory deadline. (In 2020, because the period required for audits was longer than usual due to the impact of the spread of the novel coronavirus disease, notice of the annual shareholders' meeting was sent out on the statutory deadline.)
Scheduling AGMs Avoiding the Peak Day	The 114th annual shareholders' meeting was held on Thursday, June 25, 2020.
Allowing Electromagnetic Means for the Exercise of Voting Rights	The Company has made it possible for shareholders to exercise their voting rights via the Internet.
Providing Convocation Notice in English (Translated Fully or Partially)	An English translation of the notice of the annual shareholders' meeting is provided.
Other	<p>In order to facilitate the understanding of shareholders with regard to the content of the matters being reported, we create visualizations for the shareholders' meeting (PowerPoint materials disclosed at the meeting venue). In addition, we make the attachment to the notice of the annual shareholders' meeting available separately (Business Report, Financial Statements, etc.)</p> <p>Before the notice of the annual shareholders' meeting is sent out, it is uploaded to the Tokyo Stock Exchange and to the Company's website.</p>

#### 2. IR Activities

	Supplementary Explanations	Explanation by Representative
Regular Investor Briefings for Individual Investors	We participate in joint company presentations hosted by the Tokyo Stock Exchange.	None
Regular Investor Briefings for Analysts and Institutional Investors	<p>We host presentations every six months, after the announcement of interim and full-year results.</p> <p>We also accept individual visits requests.</p>	Yes
Regular Investor Briefings for Overseas Investors	We participate in conference calls etc. hosted by securities companies.	None
Posting of IR Materials on Website	<p>Japanese: <a href="https://www.nok.co.jp/ir/index.html">https://www.nok.co.jp/ir/index.html</a>  English: <a href="https://www.nok.co.jp/en/ir/index.html">https://www.nok.co.jp/en/ir/index.html</a></p> <p><b>Contents</b>  Financial statements, materials for financial results presentation meeting, financial highlights, securities reports, business reports, IR calendar, stock information, company information and CSR Reports</p>	
Establishment of Department and/or Manager in Charge of IR	The Company's Corporate Communication Department, Corporate Administration Office is responsible for these duties.	

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Provisions to Ensure Due Respect for Stakeholders in Internal Rules, etc.	We have created the NOK Charter of Corporate Behavior and the Basic Policies on Environmental Conservation.
Implementation of Environmental Activities, CSR Activities, etc.	<p>The CSR Committee exists to increase the awareness of CSR throughout the company and to promote CSR activities more effectively. The CSR Committee creates the CSR Report based on the reports received from associated internal committees and from each division. Furthermore, we have established the Central Environmental Protection Committee, the Committee for Environmental Protection at Plants, and the Environmental Protection Sectional Meeting, which promote activities for the protection of the environment throughout the Company.</p> <p>We have obtained ISO14001 certification.</p>
Other	We facilitate communications with society by means of displays at exhibitions and participation in industry organizations (Japan Auto Parts Industry Association), etc.

## **IV. Matters Related to Internal Control System**

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

1. System for storing and managing information regarding the execution of duties by the Company's Directors

In accordance with the relevant laws and regulations, the Articles of Incorporation and other rules established by the Company, departments in charge shall record and file minutes of meetings, including Annual Shareholders' Meetings and Board of Directors meetings, as well as approval documents and other authorizations. Directors and Corporate Auditors shall ensure a system that allows to inspect such documents.

2. Rules and other systems concerning loss risk management of the Company

In accordance with the Risk Management Rules established by the Company, the Risk Management Committee shall take the initiative in identifying and analyzing underlying risks and promoting a cross-organizational risk management system. The Risk Management Committee shall report to Directors regarding the implementation status of said system on a regular basis and revise the system as necessary.

3. System for securing the efficiency of the execution of duties by the Company's Directors

Directors shall hold Board of Directors meetings in accordance with Board of Directors Regulations. At these meetings, they shall determine allocation of their duties and important matters such as business strategies and management policy and appoint Operating Officers responsible for implementation of operations at individual divisions. Directors shall authorize them to execute operations at individual divisions, encourage them to execute operations quickly and accomplish objectives, and supervise them. The Directors shall clarify operational authorities and rules on decision-making in the Rules concerning the Operational Authorities of Upper Management. They shall ensure a system to execute their respective duties in an appropriate and efficient manner by monitoring the progress of business plans, managerial policies, and operational implementation plans at regular management meetings and through management reviews.

In order to ensure the efficiency in the execution of duties by Directors, the Directors shall hold committee meetings including meetings of the Central Labor-Management Council consisting of the representatives of both the management team and employees, and explain and discuss business plans, important changes to organizational structures, and managerial policies.

4. System for ensuring compliance in the execution of duties by the Company's Directors and employees with the relevant laws and regulations and the Articles of Incorporation

Pursuant to the NOK Charter of Corporate Behavior, the Company shall clearly state that it places priority on compliance in its business activities. In accordance with compliance rules and Behavioral Guidelines Concerning Employee Compliance, the Company shall also provide training programs for its employees, thereby establishing and promoting a framework for compliance that conforms with the relevant laws and regulations, the Articles of Incorporation, and other rules established by the Company.

5. System for ensuring properness of operations of the Group consisting of the Company and its subsidiaries

In accordance with the provisions of the Internal Control Rules, the Company shall establish the following systems for its subsidiaries to ensure the properness of operations of the Group as a whole.

In addition, the Company, under the provisions of the Internal Control Rules regarding Financial Reporting, shall monitor the properness of operations based on Directors' instructions to ensure the credibility of the financial statements of the Company and its subsidiaries.

- (i) System regarding reporting from subsidiaries to the Company regarding execution of duties by Directors, etc.

In accordance with the provisions of the Internal Control Rules, the division responsible for supervising subsidiaries shall monitor the status of management of subsidiaries. The headquarters divisions shall give necessary instructions and support to subsidiaries regarding operations under their supervision and monitor the implementation status of the system.

- (ii) Rules and other system concerning loss risk management of subsidiaries

In accordance with the Internal Control Rules, the headquarters divisions shall have subsidiaries establish a risk management system and report to the headquarters divisions and the divisions



responsible for supervising subsidiaries regarding the implementation status of the system on a regular basis, and give instructions to subsidiaries to revise the system as necessary.

(iii) System for securing the efficiency of the execution of duties by Directors, etc. of subsidiaries

The management teams and managers of subsidiaries shall hold joint management meetings on a semiannual basis to share information and promote managerial transparency. At these meetings, attendees shall report on and discuss the progress of the Group's managerial policies and business plans, thereby ensuring efficiency in the management of the Group as a whole.

(iv) System for ensuring compliance in the execution of duties by Directors, etc. and employees of subsidiaries with the relevant laws and regulations and the Articles of Incorporation

In accordance with the Internal Control Rules, the headquarters divisions shall require the subsidiaries to establish a charter of corporate behavior, compliance rules and behavioral guidelines concerning employee compliance to clearly state that they place priority on compliance in their business activities. In addition, the headquarters divisions shall also require the subsidiaries to establish and promote a framework for compliance that conforms with the relevant laws and regulations, the Articles of Incorporation, and other internal rules, and monitor the implementation status.

6. Matters concerning assistant employees in cases where the Company's Corporate Auditors request the Company to assign employees to assist them with their duties

Regarding the employees who are required to assist Corporate Auditors with their duties, the Company shall assign personnel with expertise of laws and regulations who are capable of providing assistance to Corporate Auditors, upon discussions with the Corporate Auditors on the selection of assistant employees and the operational authorities thereof.

7. Matters regarding the independence of employees provided for in the preceding item from the Company's Directors and ensuring the effectiveness of instructions by the Company's Corporate Auditors to said employees

Employees assigned to assist Corporate Auditors with their duties shall follow the directions and orders of Corporate Auditors in the execution of duties, attend the Board of Corporate Auditors meetings and other important meetings attended by Corporate Auditors to execute instructions from Corporate Auditors. The Company shall have discussions with Corporate Auditors regarding changes of said assistant employees.

8. System for reporting to the Company's Corporate Auditors by the Company's and its subsidiaries' Directors and employees and other system for reporting to the Company's Corporate Auditors

The Auditing Committee for Internal Controls, an advisory body to the Board of Directors, shall, in accordance with the Internal Control Rules, conduct periodical internal audits on the state of the system to ensure the appropriateness of the Company's and its subsidiaries' operations, and report the results thereof to the Board of Corporate Auditors.

9. System for ensuring that the person who made the report provided for in the preceding item shall not be subject to unfavorable treatment for reason of having made such report

The Company shall prohibit unfavorable treatment of a person who made the report provided for in the preceding item for reason of having made such report, and communicate to that effect widely across the Company and its subsidiaries.

10. Matters regarding the policy for handling expenses or payables in relation to execution of duties of the Company's Corporate Auditors, such as procedures for advance payment or reimbursement in relation to execution of such duties

In accordance with the audit policy and audit plan formulated at the Board of Corporate Auditors meetings pursuant to the Board of Corporate Auditors Regulations, the Company shall secure expenses to enable Corporate Auditors to execute their duties appropriately.

11. Other systems for securing effective audits by the Company's Corporate Auditors

In order to supervise the Directors' execution of their duties, in accordance with the audit policy and audit plan formulated at the Board of Corporate Auditors meetings pursuant to the Board of Corporate Auditors Regulations, the Company shall maintain a system that allows Corporate Auditors to attend the Board of

Directors meetings and other important meetings and to investigate the Company's operational and financial conditions.

The Independent Auditor and Corporate Auditors shall exchange opinions on a regular basis.

In addition, joint meetings named "Management Supervision Meeting" with the participation of Representative Directors, Outside Directors and Corporate Auditors shall be held on a regular basis with a view to facilitating exchanges of opinions.

#### NOK Charter of Corporate Behavior

We, NOK Corporation, are committed to being an entity that fulfills the role of driving efforts toward the realization of a sustainable society according to the Management Principles under the NOK spirit. We will pursue this through developing the Management Policies in such a way that all its stakeholders are proud of us and chase their dream with us; and, while upholding the principle of fair and free competition, through creating added value that is socially useful, generating employment, and autonomously acting responsibly. In order to achieve this realization, we will behave according to the eleven principles set forth below in the Principles of Corporate Behavior in both domestic and overseas operations, so as to respect human rights, comply with related laws, regulations, and international rules as well as the spirit behind those, and discharge our social responsibility with a strong sense of ethical values.

#### [Management Principles]

1. The Management has to run the Company based on feelings of love and trust in its employees.
2. The Management has to run the Company while uniting to ensure full ventilation without forming any cliques.
3. The Management has to run the Company while making absolutely incredible efforts against all odds and risks.
4. The Management has to run the Company while pursuing dreams with management plan.

#### [Management Policies]

1. We are committed to be a strong and unique parts supplier while focusing its managerial resources on core business areas.
2. We are committed to be a profitable and robust company while fulfilling company-wide cost reduction programs ranging from front-line sales to manufacturing floor.
3. We are committed to continuously improving our quality while producing and selling our products that are proven to be technologically unique and socially useful, on a global scale.

#### [Principles of Corporate Behavior]

1. Provision of Socially Useful Products

We will develop and provide socially useful and safe products through the creation of new value, and provide pertinent information regarding products and have sincere dialogues with end users and customers while also working to achieve sustainable economic growth and solve social issues, thereby gaining their satisfaction and deeper trust.

2. Fair and Appropriate Trade

We will ensure that we engage in fair, transparent, and free competition, that transactions are appropriate, and that responsible procurement is carried out, when selling products and purchasing materials. Also, we will maintain a sound and proper relationship with political bodies and government agencies.

3. Proper Disclosure and Management of Information

We will disclose accurate information about the Company timely and appropriately, and have constructive dialogues with the various stakeholders who surround our business in order to increase the corporate value. Also, we will protect and properly manage personal and customer data and other types of information as well as intellectual property rights.

4. Thorough Risk Management and Severance of all relations with Antisocial Forces and Groups

We will resolutely provide systematic risk management to prepare against activities of antisocial forces, terrorists, cyberattacks, natural disasters, and other elements that threaten the lives of the public and business activities. In particular, we will resolutely confront any antisocial forces and groups and sever all relations with such groups.

5. Commitment to Environmental Conservation

We will proactively initiate environmental conservation activities while taking into account the fact that commitment to solving environmental issues is a prerequisite for a company to engage in business activities as a going concern.

6. Promotion of Social Contribution Activities

As a good corporate citizen, we will actively participate in communities and contribute to their development.

7. Cooperation with the International Community

As a global corporation, we will comply with laws and regulations of the countries and regions where our business operations are based, and respect human rights and other international norms of behavior (e.g. prohibition of child labor and forced labor). Also, conduct business by taking into consideration the local culture and customs as well as the interests of stakeholders, and contribute toward the development of the local economy and society.

8. Respect for Human Rights

We will carry out management that respects the human rights of all people.

9. Provision of Safe and Comfortable Working Environment

We will realize a work style that enhances the abilities of employees while respecting their diversity, character and personality, and by drawing a line between public and private matters, and maintaining order in the workplace, we will realize a comfortable working environment that takes cleanliness, health, and safety into consideration.

10. Responsibilities of Our Officers

Our officers, while carrying out management with the recognition that it is their role to realize the spirit of this Charter, will establish effective internal control systems, and will take the lead in an exemplary manner to implement the Charter within the entire NOK Group, while encouraging our business counterparts to act in a manner consistent with this Charter. In addition, our officers will constantly listen to opinions from both within and outside the Company to effectively improve the internal structure and ensure compliance with business ethics.

11. Response to Problems

In the event that a matter in noncompliance with this Charter arises, which causes society to lose trust in us, our officers will take steps such as taking the lead in solving the problem, identifying the cause, and taking measures to prevent the recurrence of similar problems, thus fulfilling their responsibilities. Moreover, they will publicly disclose relevant information promptly and appropriately, fulfill their accountability requirements, indicate those who are in authority and those who are responsible, and severely punish those involved, including themselves.

**2. Basic Views on Eliminating Anti-Social Forces and Progress of Related Efforts**

In order to conform to “Principles of Corporate Behavior 4. Thorough Risk Management and Severance of all relations with Antisocial Forces and Groups,” the NOK Group has prescribed Behavioral Guidelines

Concerning Employee Compliance as follows, which we have worked to disseminate thoroughly among employees.

- (1) No relationship whatsoever is permitted with antisocial forces and groups that threaten the lives of the public and business activities, and hinder economic activities.
- (2) In the event that unreasonable demands are received from antisocial forces and groups, easy concessions through the use of money, etc. must not be entered into.
- (3) Even if transactions with antisocial forces or groups are legal, no transactions of any kind shall be conducted with them. Also, if a customer is discovered to be an antisocial force or group, transactions with the customer must be discontinued immediately.
- (4) The influence of antisocial forces or groups must never be used.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted
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Supplementary Explanation

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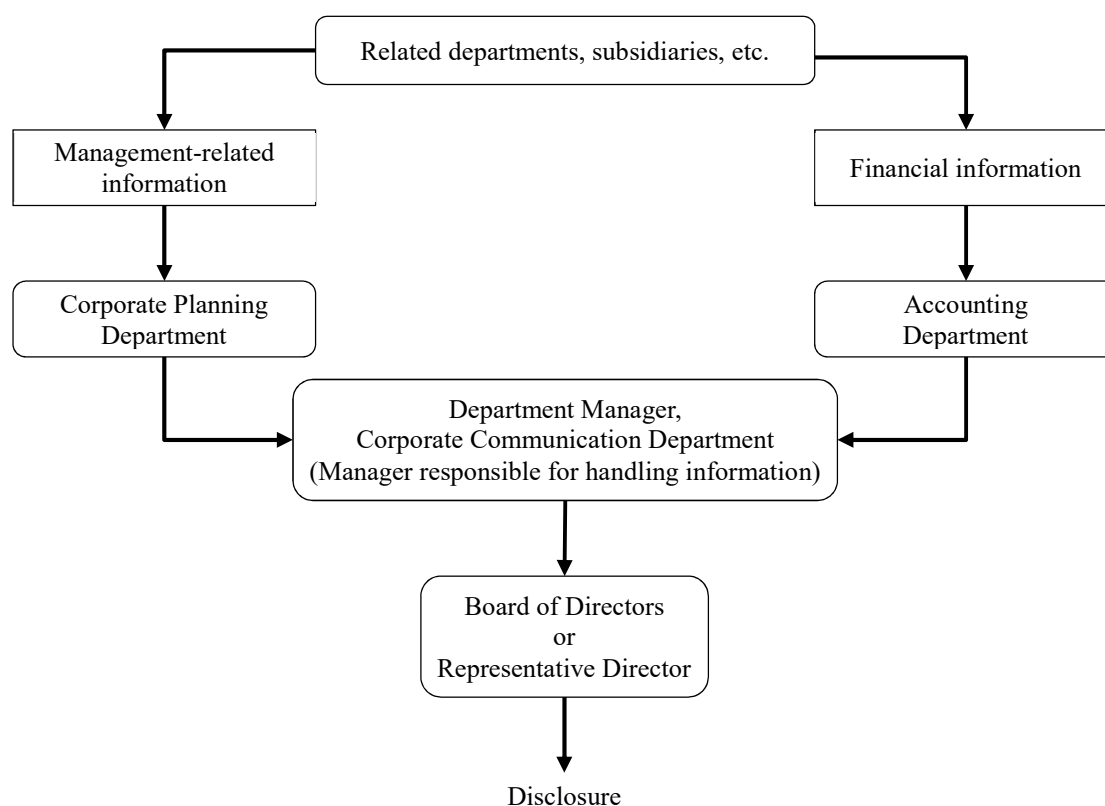
### 2. Other Matters Concerning Corporate Governance System

#### — Overview of the Timely Disclosure System —

In order to promote the accurate understanding and evaluation of the Company by shareholders and investors, and in order to be a company of which all stakeholders can be proud, including customers, shareholders, employees and suppliers, we have for many years worked for the timely disclosure of important information related to the Company's business, in accordance with laws and regulations such as the Financial Instruments and Exchange Act, and in compliance with the regulations of the securities exchanges on which the Company's shares are listed.

Financial information is organized by the Accounting Department, and other information is drawn together by the Corporate Planning Department. Finally, the Department Manager of the Corporate Communication Department, as the manager responsible for handling information, ensures the timely and fair disclosure of information following the decision of the Board of Directors or the Representative Director.

#### 【Overview of the Internal Structure for Timely Disclosure】



## 【Diagram of Corporate Governance System】

