

**[Principle 3.1 Full Disclosure]**

**(iii) Policies and procedures in determining the compensation for the senior management and Directors**

**[Supplementary Principle 4.2.1 Roles and Responsibilities of the Board(2) ]**

1) Organization & Responsibilities for determining Compensation

The company has in place the statutory Compensation Committee (the "Committee") as adopting a "Company with Committees" structure. No member of the Committee is allowed to be present when matters relating to their specific compensation are being discussed.

Role	Compensation Committee is responsible for making decisions on a compensation policy for Directors and Executive officers as well as individual elements of compensation for Directors and Executive Officers. The Committee may also give recommendation or advice to the Representative Executive Officer, President and CEO on the policies and details with respect to compensation for the Group's senior management other than Directors and Executive Officers, keeping a consistency with the policy of 3. Below.
Composition	<ul style="list-style-type: none"><li>• 4 Independent External Directors and 1 Director who concurrently serves as Representative Executive Officer</li><li>• Chaired by Dr. Jörg Raupach Sumiya, Independent External Director</li></ul>
Secretariat	Company Secretary Department
Remuneration Expert	Human Resources Department

2) Activities of the Committee in Compensation related Decision-Making Process

- During FY2023, the Committee met on six occasions, and Attendance rate was 100%, all members attended all Compensation Committee meetings. The Committee resolved the individual amount of basic salary, the performance indicators and method for determining the payment amount of incentives (performance-linked compensation), and the actual payment amount based on the achievement against the previous year's indicators. And also the Committee resolved a plan to allot restricted shares to certain qualified Executive Officers under Japanese employment terms and the number of restricted shares to be allotted as a retirement benefit. Accordingly, the number of restricted shares to be issued to the relevant, individual Executive Officers is determined.
- The Compensation Committee gave its final approval to the individual compensation for Directors and Executive Officers for the year ended in March 2023 after confirming that it is consistent with the basic policy on compensation as detailed in 3) and 4).

3) Compensation Policy for Executive Officers

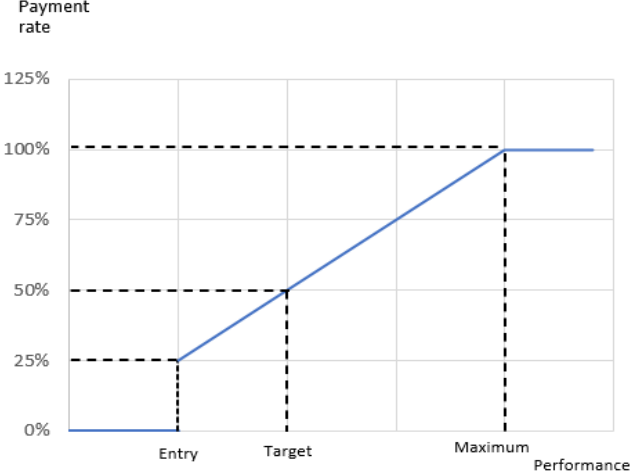
<A> Compensation System and Compensation Composition Ratio

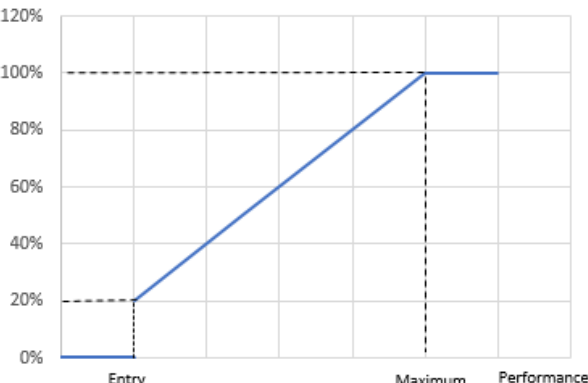
Compensation packages for the Executive Officers principally consist of basic salary, Management Incentive Plan (annual bonus) and Long- term Incentive plan.

The Group operates a global grading structure across the Group, and management grade is determined based on job evaluation by the Group common scale using the HAY management grade methodology, a globally recognised job evaluation methodology. Management grade determines the maximum quantum levels for participants in both the annual and long-term incentive structures.

A) Compensation System

Objectives	<ul style="list-style-type: none"> <li>• To ensure that packages of employment terms and conditions are market competitive and designed in such a way as to attract, retain and motivate Executive Officers of the highest calibre on a worldwide basis in an international business.</li> <li>• To ensure that each individuals basic salary and incentives are aligned with the performance of the Group and the interests of shareholders, as well as reflecting the commitment and achievements of the individuals concerned.</li> </ul>		
	Fixed salary	Basic salary	<ul style="list-style-type: none"> <li>• Salaries are reviewed annually and are broadly aligned with market medians for a global business.</li> <li>• In determining what are the appropriate market rates, account is taken of turnover, market capitalization and the complexity and breadth of internationalization.</li> <li>• In reviewing salaries, account is also taken of the scope and responsibilities of the role, the performance of the individual, the progress the Company is making against its targets and plans and of salary increases planned for other managers.</li> </ul>
Composition and Details	Performance-related compensation	Management Incentive Plan (annual bonus)	<ul style="list-style-type: none"> <li>• Assessed against the achievement of annual performance indicators which are mainly financial.</li> <li>• Aligned to NSG Group’s Medium-Term Plan</li> <li>• Payment Maximum levels: Ranging between 40% and 125% against each individual’s basic salary dependent upon the management grade</li> <li>• Payment Level = Maximum payment amount × Payment rate of Performance measures</li> <li>• A Gate mechanism operates for the plan, which is based on a minimum level of Net Income that must be reached, as an affordability threshold before considering payment based on achievement against the different performance</li> </ul>

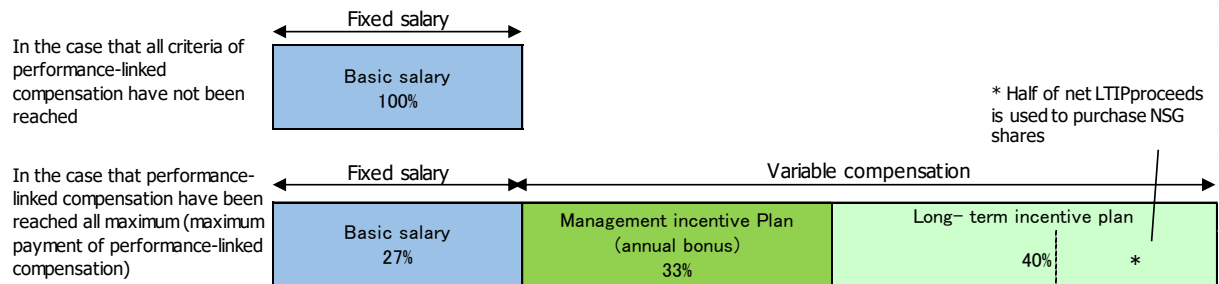
			<p>measures.</p> <ul style="list-style-type: none"> <li>For each performance measure, set the minimum performance level ("Entry") for ensuring that the business is meeting the minimum standard of financial performance, "Target" and a maximum value for stipulating the upper limit of annual bonus payments "Max", in line with the annual budget for the financial year.</li> </ul> 
		<p>Long- term incentive plan</p>	<ul style="list-style-type: none"> <li>Assessed against the achievement of long-term performance indicators over a three-year period</li> <li>Issued annually</li> <li>Payment Maximum levels: Ranging between 50% and 150% against each individual's basic salary dependent upon the management grade</li> <li>LTIP Payment = Maximum payment amount × Payment rate of Performance measures × Share price movement rate</li> <li>For each measure, "Entry" is set in such a way to ensure that the business is meeting the minimum required performance level and the "Maximum" point on the scale has appropriate stretch.</li> </ul>

			<p>Payment rate</p>  <ul style="list-style-type: none"> <li>• Require the purchase of NSG Shares by using part of the cash award from the plan to lead to further alignment of the Executive Officers with shareholders, allowing Executive Officers to continue to be motivated to help build shareholder value</li> <li>• Shareholding targets set for Executives</li> <li>• Plans contain Malus (ability for the value of award to be reduced after it has been granted but before it has vested) and Clawback clauses (ability for the Group to require the participants to repay the value they received after the award has vested). The Group can exercise these provisions if one of a list of trigger events occurs. Trigger events include the Misstatement of results, an error that causes an award to be paid at too high a level, a serious illegal act, or a material breach of the Group Code of Ethics.</li> </ul>
	Stock Compensation 株式報酬		<ul style="list-style-type: none"> <li>• Restricted shares are issued annually to some Executive Officers under Japanese employment terms as a retirement saving plan.</li> </ul>

B) Compensation ratio

The ratio of basic salary and incentives is, rather than specifically and equally applied, set according to individuals' management grades.

<CEO's compensation ratio>



Note: For clarification, the above diagram includes only base salary plus annual and Long-term

incentive plan compensation, no additional benefits are included. In addition, the impact of the share price movement element of the Long-term incentive plan is not taken into account.

#### 4) Compensation Policy for Independent External Directors

Objectives	<ul style="list-style-type: none"> <li>• To ensure that independent external directors can adequately and effectively fulfill their supervisory roles</li> <li>• To ensure that they have the capability and experience required to fulfill this role</li> </ul>
Compensation level	<ul style="list-style-type: none"> <li>• Set at the appropriate level based on comparisons with other companies using benchmark data provided by specialist external advisers.*</li> </ul>
Compensation Structure	<ul style="list-style-type: none"> <li>• Only Basic salary</li> <li>• Not eligible for Management incentive plans (annual bonuses) and Long-term incentive plans</li> <li>• Independent External Directors receive additional reward if they act as Chair at either the Board or any of the Committees.</li> </ul>

\* In the case that a Non-Independent External Director is elected, compensation will be set at an adequate level for his/her duties in a way commensurate with the duties discharged by Independent External Directors including in terms of whether or not they are appointed as member of any of three Committees and so forth.

#### 5) Targets of performance measures for performance-linked compensation

##### A. FY2024 Management Incentive Plan (annual bonus)

##### A) Performance measures and weight

Element	CEO and Kaicho	Executive Officers other than CEO and Kaicho, who are mainly responsible for specific Global SBUs	Executive Officers other than CEO and Kaicho, who are mainly responsible for specific group functions
Group Management Operating Profit	50%	35%	35%
Group Free Cash Flow	50%	35%	35%

Global SBU Management Operating Profit	—	In relation to the results of specific SBUs they are responsible for, constituting 15% in total	In relation to the results for every of SBU of the Group, constituting 15% in total
Global SBU Cash Flow from Operations	—	In relation to the results of specific SBUs they are responsible for, constituting 15% in total	In relation to the results for every SBU of the Group, constituting 15% in total

\* Note: SBU means each "Strategic Business Unit" of the Group

B) Reasons for selected the measures

Measures	Reasons
Group Management Operating Profit	Ensure alignment with delivery of the target numbers assigned to Group operating profit and cash flow which are the financial performance indicators specifically important to the annual budget
Group Free Cash Flow	
Global SBU Management Operating Profit	For Executive Officers who are mainly responsible for specific SBU or group function, ensure working together to achieve the targets numbers of the entire group as an Executive and also exercising the leadership within each SBU/Function to deliver annual target numbers of each SBU
Global SBU Cash Flow from Operations	

Note: Group Free Cash Flow used in the above table represents the net debt movement arising as a consequence of the operating and investing activities in the period. It includes transactions that have impacted the Group's net debt even where there has been no cash movement through an NSG Group bank account and is therefore different to the Free Cash Flow as derived from the sum of operating and investing activities included within the Group's consolidated statement of cash flows. Group Operating Profit shown in the above table is defined as being operating profit stated post-amortization before exceptional items on a consolidated basis plus share of income from the Cebrace JV. The actuals for these KPIs are the subject-matter of review and confirmation by the Compensation Committee.

C) Determination of Management Incentive Plan (annual bonus) Payment Level

- Payment Level = Maximum payment amount × Payment rate of Performance measures
- Payment rate of performance measures

(i) CEO and Kaicho

payment rate of performance measures = Payment rate of Group Management Operating Profit measure x 50% + Payment rate of Group Free Cash Flow measure x 50%

(ii) EO other CEO and Kaicho

payment rate of performance measures = Payment rate of Group Management Operating Profit measure x 35% + Payment rate of Group Free Cash Flow measure x 35% + Payment rate of Global SBU Management Operating Profit measure x 15% + Payment rate of Global SBU Cash Flow from Operations measure x 15%

- If the Gate is met, payment is made based on payment rate against the performance measures. Even if the Gate is not met, if the target level of the Global SBU's operating profit is achieved, 50% of the payment rate achieved is paid only for the Global SBU Management Operating Profit and the Global SBU Cash Flow from Operations

B. Long-term incentive

A) Performance measures, weight and reasons for selected the measures of plans currently in operation

(i) Performance Measures of Plan commencing in FY2022 (Target period : FY2022, FY2023 and FY2024)

Performance Measures	Ratio	Reasons for selected the measures
EPS	50%	Two performance measures ensure clear link with the Medium-Term Plan, incentivising executives to further strengthen earning power and enhance shareholder value.
ROS	50%	

(ii) Performance Measures of Plan commencing in FY2023 (Target period : FY2023, FY2024 and FY2025)

Performance Measures	Ratio	Reasons for selected the measures
EPS	75%	Two performance measures ensure clear link with the Medium-Term Plan, incentivising executives to improve restoration of financial stability and enhance shareholder value. Set the ratio of EPS measure to 75% to further enhance shareholder value
Free Cash Flow	25%	

B) Determination of LTIP Payment Level

- LTIP Payment = Maximum payment amount × Payment rate of Performance measures × Share price movement rate
- Payment rate of performance measures

- (i) Plan commencing in FY2022= Payment rate of "EPS measure" x 50% + Payment rate of "ROS" measure x 50%
- (ii) Plan commencing in FY2023= Payment rate\* of "EPS measure" x 75% + Payment rate of "Free Cash Flow" measure x 25%

\* Incorporating the degree of achievement of the targets to be achieved in the first and the second years to achieve the performance target for the three years

- The share price movement rate is a coefficient that is linked to the price movements of the Company's share price for the three-year period covered by each plan, and is adjusted based on the price movement of the monthly average share price in the month before the start of the plan and the monthly average share price of the last month of the plan.